

ANNUAL
REPORT
2014

CAF2014

ANNUAL REPORT





CAF -
DEVELOPMENT
BANK OF LATIN
AMERICA

CAF IS A MULTILATERAL FINANCIAL INSTITUTION, WHOSE MISSION IS TO SUPPORT SUSTAINABLE DEVELOPMENT AND REGIONAL INTEGRATION IN LATIN AMERICA. THE INSTITUTION'S SHAREHOLDERS ARE THE FOLLOWING: ARGENTINA, BOLIVIA, BRAZIL, CHILE, COLOMBIA, COSTA RICA, DOMINICAN REPUBLIC, ECUADOR, JAMAICA, MEXICO, PANAMA, PARAGUAY, PERU, PORTUGAL, SPAIN, TRINIDAD & TOBAGO, URUGUAY, VENEZUELA AND 14 PRIVATE BANKS WITHIN THE REGION.

THE INSTITUTION SERVES THE PUBLIC AND PRIVATE SECTORS, PROVIDING A VARIETY OF PRODUCTS AND SERVICES TO A BROAD PORTFOLIO OF CLIENTS, INCLUDING SHAREHOLDER NATIONS, PRIVATE COMPANIES AND FINANCIAL INSTITUTIONS. SOCIAL AND ENVIRONMENTAL BENEFITS ARE AT THE CORE OF THE INSTITUTION'S MANAGEMENT POLICIES, WITH ECO-EFFICIENCY AND SUSTAINABILITY CRITERIA INCLUDED IN ALL OF ITS OPERATIONS. AS A FINANCIAL INTERMEDIARY, CAF CHANNELS RESOURCES FROM INTERNATIONAL MARKETS INTO LATIN AMERICA, PROMOTING INVESTMENT AND BUSINESS OPPORTUNITIES.



SHAREHOLDER COUNTRIES 2014

Argentina	2001
Bolivia	1970
Brazil	1995
Chile	1992
Colombia	1970
Costa Rica	2002
Dominican Republic	2004
Ecuador	1970
Jamaica	1999
Mexico	1990
Panama	1997
Paraguay	1997
Peru	1970
Portugal	2009
Spain	2002
Trinidad and Tobago	1994
Uruguay	2001
Venezuela	1970

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MESSAGE FROM THE EXECUTIVE PRESIDENT

2014 was a year of change for Latin America's economic conditions, in an environment of moderate global growth and a slowdown in emerging economies. Lower demand for commodities and the end of conditions of abundant and cheap credit have generated a significant impact on the decline in our region's growth.

In this global context, Latin America must undertake a process of structural reforms that will ensure higher, quality and sustainable growth in the long term.

If Latin America wants to maintain and deepen the progress of the last decade toward reducing poverty and strengthening the middle class, the region must expand its growth potential. In this regard, the region needs to implement policies that increase productivity and competitiveness, in order to bolster the performance of various sectors, enabling an evolution from a model of comparative advantages to one of competitive advantages.

In summary, in a less favorable external environment, Latin America needs to innovate, in particular, improve productivity, close the infrastructure gap, increase the quality of education and invest more and better in R&D.

In order to support the region's countries along this path, CAF is promoting a comprehensive agenda, with a long-term vision, to accompany countries in their development strategies from a social, economic and environmental perspective.

In 2014, CAF approved USD 11.7 billion in development projects for the region, raising the figure of approvals over the last five years (2010-2014) to USD 53.7 billion.

For another year running, CAF's management deployed flexibility, financial strength, sector support and expertise to address the needs of its shareholder countries and was able to proactively respond with solutions aligned with their national development plans.

With the aim of supporting Latin America's private sector in light of the challenges the region was facing, in 2014, CAF launched several innovative financial instruments to facilitate the channeling of investors' resources into infrastructure development, a key sector in which CAF has extensive history and successful experience.

The institution deepened its involvement in the main capital markets, forming part of a very select group of issuers. CAF's activities highlighted the institution's catalytic role in drawing funds into Latin America to promote productive investment and local economic growth. In that sense, 2014 was a record year for CAF, with 13 transactions carried out for approximately USD 3.9 billion.

Regarding the generation and dissemination of knowledge, CAF has gained an important position as a benchmark for the region, and established itself as a bridge between Latin America and the rest of the world, through its connections with an extensive network of universities, think tanks and financial and development institutions from around the globe.

Today, more than a bank, CAF is a strategic ally to its shareholders, giving them not only funding but also support in the design of public policies and in

IF LATIN AMERICA IS TO MAINTAIN AND DEEPEN THE PROGRESS OF THE LAST DECADE TOWARD REDUCING POVERTY AND STRENGTHENING THE MIDDLE CLASS, THE REGION MUST EXPAND ITS GROWTH POTENTIAL.



their search for regional consensus on development issues. CAF is an important actor, who contributes to the international leverage of Latin America on a global level.

The continued support of the shareholders countries has been a key success factor of CAF's growth and consolidation as a development bank throughout Latin America. The confidence shown by all member countries is manifested in continued capital increases and the strict compliance with its obligations.

At the end of the 2014 fiscal year, it is a pleasure to present this Annual Report, financial statements and the results of CAF's management, which so clearly illustrate this institution's continued commitment to the region's present and future.

On a personal note, I want to thank the shareholders, governments, members of the Board and CAF personnel for sharing its vision and efforts for a better quality of life for all Latin Americans, particularly for those most in need.

A handwritten signature in black ink, appearing to read 'Enrique García', written in a cursive style.

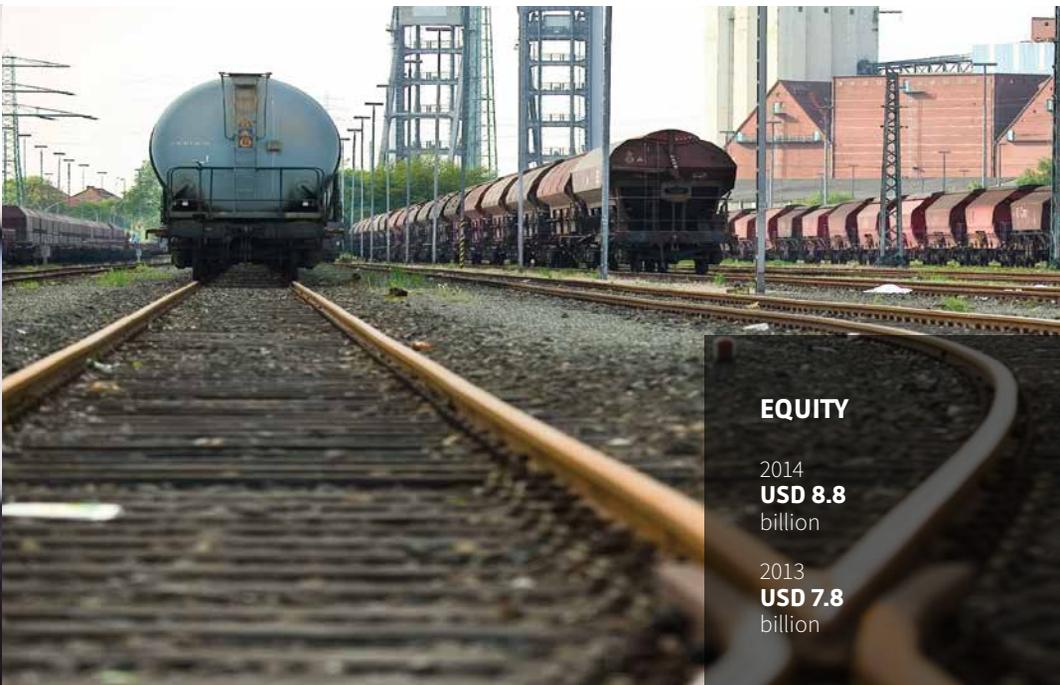
Enrique García
Executive President

2014

FINANCIAL HIGHLIGHTS



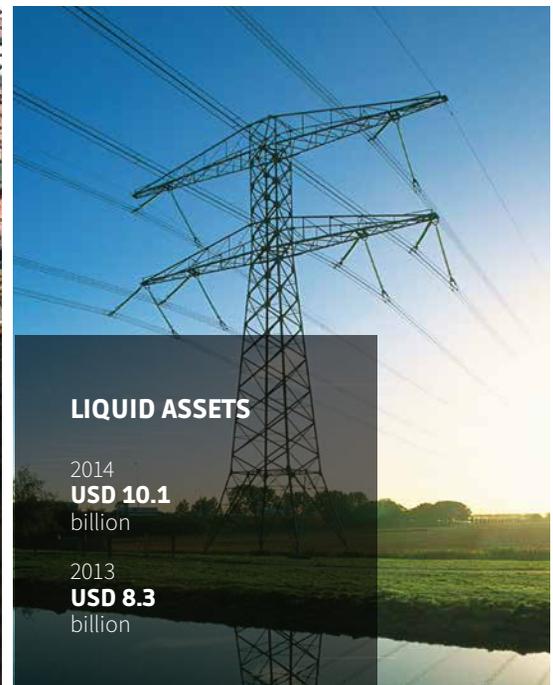
- 1. Consolidation of Latin American presence:** 19 countries, 2 regional hubs and 11 offices.
- 2. Strong operational activity:** annual approvals for USD 11.7 billion, totaling USD 53.7 billion in the last five years (2010-2014).
- 3. Record levels of issuances:** 13 bond issues for a total of USD 3.9 billion during 2014 in the main capital markets.
- 4. Risk ratings ratified:** ratings remained stable despite a less favorable international scenario, making it possible to achieve better funding rates and financing conditions.
- 5. Launch of innovative financial instruments:** CAF Asset Management Company (CAF-AM) was created in order to promote and facilitate the channeling of investor resources for the development of Latin America.
- 6. Deepening of climate change and environmental management:** 24% of CAF approvals in 2014 qualify as green financing.
- 7. Intensification of work with the International Development Finance Club (IDFC):** CAF participated in the UN Climate Summit in representation of IDFC.
- 8. Position as a regional center for reflection with a global vision:** the institution hosted an active schedule of conferences and meetings throughout 2014, as part of an extensive global network of prestigious think tanks, universities, and financial and development institutions.
- 9. International awards and recognition:** Bravo Trade Americas 2014 Prize awarded to CAF for its institutional achievements and innovative projects. Recognition for its financing operation of the Eten's cold reserve power generation plant with several awards: "Latin American Project Bond Deal of the Year" and "Overall Deal of the Year," from Project Finance Magazine, in addition to "Project Finance Deal of the Year," awarded by International Financial Law Review.



EQUITY

2014
USD 8.8
billion

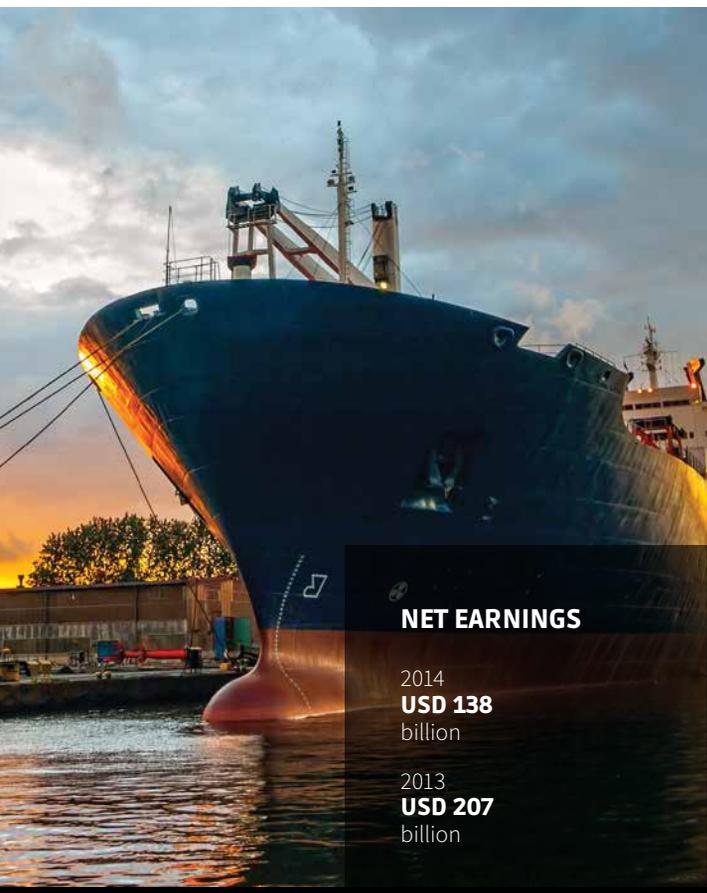
2013
USD 7.8
billion



LIQUID ASSETS

2014
USD 10.1
billion

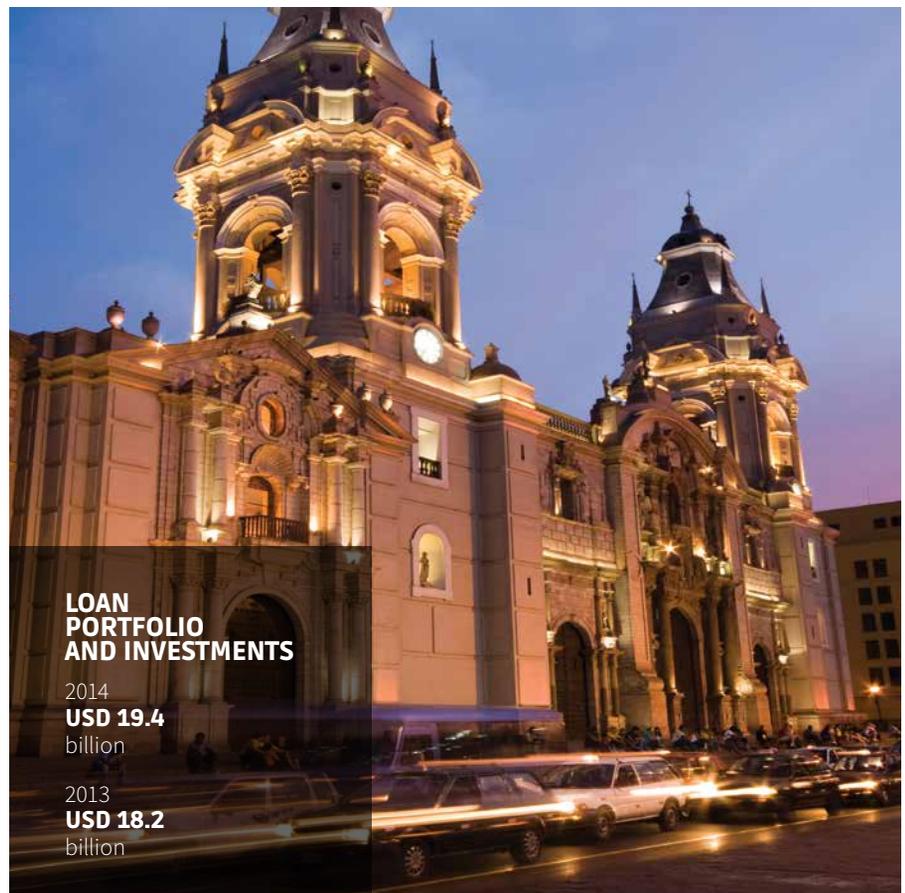
2013
USD 8.3
billion



NET EARNINGS

2014
USD 138
billion

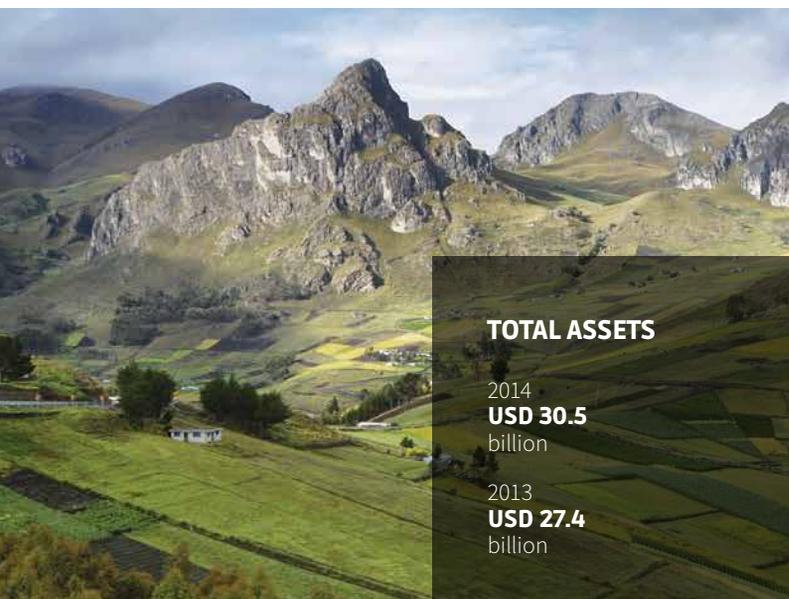
2013
USD 207
billion



LOAN PORTFOLIO AND INVESTMENTS

2014
USD 19.4
billion

2013
USD 18.2
billion



TOTAL ASSETS

2014
USD 30.5
billion

2013
USD 27.4
billion



PAID-IN CAPITAL

2014
USD 4.2
billion

2013
USD 3.9
billion

Latin America's

ECONOMIC AND SOCIAL ENVIRONMENT

International environment: recent evolution and outlook

Basic goods markets

Financial and stock markets

Latin America: recent evolution and outlook

Real sector

External sector

Fiscal accounts

Monetary and foreign exchange sector

Competitiveness and business environment

Integration and international insertion

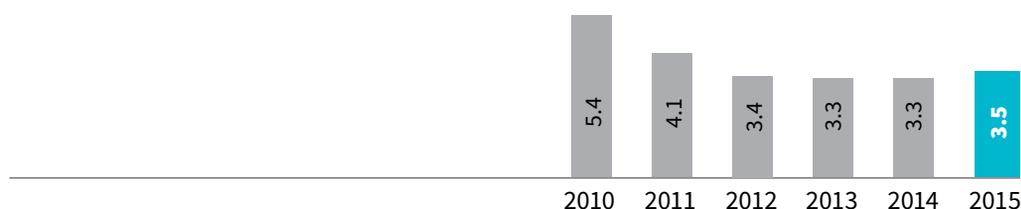


LATIN AMERICA'S ECONOMIC AND SOCIAL ENVIRONMENT

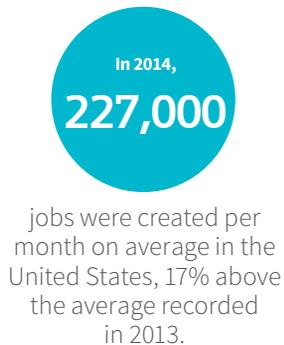
International environment: recent evolution and outlook

The global economy slowed in the first quarter of 2014, mainly due to poor weather conditions in the United States, the deceleration in emerging economies and the conflict in Ukraine. However, throughout the rest of the year, momentum was regained, basically thanks to the recovery of the US and the UK. For the full year, global growth stood at 3.3%, equal to that recorded in 2013, and below the rates achieved for much of the past decade. Although emerging economies will continue to contribute with almost two thirds of global growth, the momentum will be transferred in part to advanced economies, mainly to the United States, over the next two years. The activity in emerging economies will continue to progress, but at more moderate rates. Overall, the risks remain tilted to the downside. In this sense, deflation risks have not dissipated entirely in Europe; structural problems continue to weigh on the performance of the main emerging economies and new geopolitical tensions have emerged. New episodes of financial volatility rooted in the process of normalization of monetary policy in the US economy cannot be ruled out.

GRAPH 1 **GROWTH OF WORLD GDP (%)**



Source: *IMF*.



For its part, the US economy contracted 2.1% in the first quarter, mainly due to the long and harsh winter that hit exports, consumption and private-sector investment. Once the seasonal factors dissipated, GDP grew at an annual rate of 4.6% and 5% in the second and third quarters, respectively, driven by a rise in consumer spending and greater accumulation of companies' inventories. For the year, growth should be 2.4% higher than in 2013.

The good performance of the US economy is reflected in the improvement of the job market. In 2014, 227,000 jobs were created per month on average, 17% above the average for 2013. The unemployment rate decreased from 6.6% at the start of the year to 5.6% in December, its lowest level in six years. However, there are factors that indicate that the labor market recovery is not complete, such as the fact that a significant part of the decline in the unemployment rate is attributed to the reduction of the workforce to lowest levels since the early 1970s, a significant percentage of employees still work part time but would like to have a full-time job (12%) and slow wage growth.

The real-estate market also showed signs of recovery after a period of weakness. Prices rose with the recovery of this sector, which had stagnated in the second half of 2013 due to higher interest rates and a reduction in the supply of properties available for sale. However, mortgage rates fell somewhat in recent months as the performance of long-term bonds stabilized, and the country's labor market has improved, which has contributed to progress in the housing market. It is estimated that real-estate prices will continue to grow just over 5% annually, a more sustainable level than the double-digit increases earlier in the year, reducing the risk of new bubbles. The demand for used homes remains above the threshold of five million households/units and average building permits, throughout 2014, stood at levels very close to one million homes. These levels are healthy and confidence indicators from housing developers have started to rebound to their highest level since November 2005, so it is expected that residential investment will continue to contribute positively to GDP growth. Inflation remained subdued during 2014. In December, annual inflation was 0.8%, while core inflation stood at 1.6% annually, which shows that inflationary pressures remain stable.

In this context of stronger growth, the Federal Reserve began to reduce the pace of bond purchases in January, and in October formalized the close of this program, ending its monthly purchases of USD 85 billion. To cushion the impact on financial markets, the Federal Reserve reinforced its commitment to keep short-term interest rates low. These months revealed that the Fed is facing increasing pressure from some of its members to recognize more clearly the improvements in the US economy and prepare the ground for the first rise in interest rates in nearly a decade. However, its president, Janet Yellen, reiterated that there are no plans to raise rates for some considerable time, and noted that the job market still needs strengthening. The hike was originally scheduled for 2015, at least six months after implementing the planned cuts. Most analysts estimate that a rise in interest rates will be gradual starting in the second half of 2015.

A 3.6% expansion over 2014 is expected in 2015. These estimates assume that private demand should sustain the momentum due to improved job market, credit expansion and the wealth effect derived from the increase in stock and housing prices. However, this scenario is not without risk. The main ones being, first, episodes of financial stress during the process of normalization of monetary policy and, in second place, a higher than expected deterioration in external conditions. In the medium term, growth should remain at around 3%, and the risks borne by the fiscal consolidation process, still subject to political pressures.

The eurozone economy showed signs of weakness during 2014 and reflects the difficulty of implementing structural reforms. The region's GDP recorded a stagnation in the second quarter, interrupting the trend of improvement shown for five consecutive quarters. This is due to the poor performance of two of its major economies, France and Italy. The German economy, Europe's largest, grew 1.5% in 2014, due to the weakness of foreign trade and investment, while the French economy ended the year with a slight expansion of 0.4%, similar to that recorded in 2013. Italy fell into recession in the second quarter for the third time since 2008, recording a 0.4% contraction for the year. Moreover, Spain and Portugal maintained a good performance, registering a growth of 1.3% and 0.9%, respectively. Eastern European countries—such as Poland, Bulgaria and Hungary—fared better between April and June. The main factor behind this stagnation in the second quarter is the slowdown in business investment recorded in the first quarterly decline in the second quarter of 2013, with the loss of business confidence reflecting the increased geopolitical risk in Ukraine and Russia and the uncertainty created by the referendum in Scotland (risk of contagion), as well as factors related to the delay in implementing structural reforms that affect the potential for growth in the medium and long term.

During 2014, inflation in the euro area stood at historically low levels (an annual -0.2% in December); far from the objective of the European Central Bank (ECB) (2%), it raised fears that the region may experience a widespread downward spiral of prices similar to that experienced by Japan in the 1990s.

Within this context, the ECB adopted virtually every unconventional measure imagined by the market to tackle deflation and weak recovery. The entity cut interest rates twice (in June and September) from 0.25% to a new historical record as low as 0.05%. It also set the interest rate applicable to deposits at -0.2%. An injection of liquidity of 400 billion euros was also approved for banks through long-term refinancing programs (known as LTRO) to encourage banks to lend. Finally, the ECB announced a plan to begin buying guaranteed bonds in mid-October and securitized loans (ABS) in the fourth quarter of 2014. The potential purchasing volume of private assets and mortgage bonds could reach one billion euros over the course of two years.

However, the labor market continued to show signs of improvement in both relative and absolute terms. The unemployment rate in the euro area in December stood at 11.5%, three tenths less than in January and half a percentage point lower than in June 2013, when it had reached 12%. The number of unemployed attained 18.3 million, 137,000 fewer than in July and 834,000 fewer than in August 2013. Spain also recorded a decline in unemployment but still has the second highest level, just behind Greece.



During 2014, inflation in the eurozone stood at historically low levels (an annual -0.2% in December); far from the objective of the European Central Bank (ECB) (2%), it raised fears that the region may experience a widespread downward spiral of prices similar to that experienced by Japan in the 1990s.

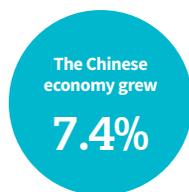
Recent developments in the economy and the stagnation recorded in the second quarter anticipate a lower than expected growth, with the euro area closing 2014 with a slight increase in GDP of 0.8%. However, even though it is expected to recover in 2015 with 1.2% growth, it will remain uneven across the region due to the ongoing financial fragmentation, deterioration of private and public balance sheets and high unemployment in some economies. Also, elements of fragility persist. This scenario has significant downside risks, including those related to the weak job market; whether expectations of deflation are installed in the price formation process discouraging activity; the reduction process of the high levels of public and private debt; and a possibly more unfavorable evolution of external demand.

Japan's economy grew 1.5% in the first quarter, posting the largest expansion since the third quarter of 2011 due to an increase in consumer spending prior to a tax increase on April 1. In contrast, in the second quarter, the strong momentum of previous months was reversed. The VAT increase in April, which put the tax rate at 8% versus the prior 5%, led to the largest decline in GDP since the earthquake of 2011. Specifically, Japan's GDP fell 1.7% in the second quarter. Although it was anticipated that the tax increase would cause an economic downturn, its negative impact on private consumption and investment was higher than estimated. In the third quarter, the Japanese economy officially entered recession, falling 0.5%.

Moreover, November's annual inflation stood at 2.4%, with the core component at 2.1%. In June, the government submitted a set of measures that address more structural aspects related to the third pillar of the strategy of economic policy known as Abenomics, which includes, among other things, conditional corporate tax cuts and changes in corporate governance. By the end of 2014, Japan's economy was expected to slow to 0.1%, to then rise slightly with 0.6% growth in 2015. The balance of risks for this scenario lean toward the downside, particularly in the medium term, if structural reforms to ensure debt sustainability and job market flexibility are not achieved.

After a difficult start to the year for major emerging countries the situation tended to stabilize in the second quarter, but with more uncertainty toward the end of the year. In emerging economies, the increased slowdown in BRIC countries (Brazil, Russia, India, China and South Africa) responds to structural factors, so it is unlikely that the high rates at which they were growing will return. For 2014, 4.4% growth is expected in emerging countries with similar levels in 2015 (4.3%). This is due to weak external demand and domestic constraints, in some cases, continuing to weigh on growth.

China continued to grow at a slower pace. The economy recorded 7.4% annual growth in the first quarter of 2014, which represented a slowdown from 7.7% in the fourth quarter of last year. However, a number of government stimulus measures boosted China's economy, which grew at an annual 7.5% in the second quarter of 2014 and 7.3% in the third quarter. This good performance was mainly bolstered by investment, the main beneficiary of the government's expansionary policy, and the foreign sector. In contrast, the contribution of private consumption was lower, which highlights that the process of rebalancing in favor of increased household spending will be slow. The stimulus measures have included reducing the amount of cash that some banks must hold as reserves and instructing regional governments to accelerate their spending and hasten the construction of railways and public housing.



in 2014; a slowdown is expected in 2015 with 6.8% growth.

Meanwhile, inflation slowed starting in June to 1.5% per annum in December. These figures provided the Chinese government with more room to implement stimulus measures to achieve its growth target. The continued slowdown in the housing market is one of the factors that is putting the greatest pressure on the Chinese economy's growth. Real-estate investment, which affects more than 40 sectors from cement to furniture, continued to show a slowdown throughout the year. Additionally, annual sales fell 10.5% in the case of housing and 14% in the office market. The cooling of the real-estate market is also reflected in housing prices in the country's major cities; after years of continuous increases, they fell significantly in December for the fourth consecutive month. Undoubtedly, most analysts agree that this weakness in the real-estate sector is the main source of risk to the Chinese economy, and the consequences of further deterioration are unclear. However, a crisis like the one in the US (the Lehman Brothers crisis) is not expected since in the case of China the capital markets are closed and most banks are state-owned. So instead of dealing with a Lehman-like collapse, the Chinese financial system could face a more standard credit crunch.

In this context, the Chinese economy grew 7.4% in 2014 and a slowdown next year to 6.8% is expected. However, risks of high housing prices and indebtedness of local governments and certain segments of the private sector persist, linked to the growth of the unregulated financial sector (shadow banking). In addition, the Chinese government is undergoing a transition period to reorient its economy toward consumption, a trend so far that it has been unable to consolidate.

In India, growth seems to have reached the end of its downward trajectory. There, the economy grew by 5.7% in terms of GDP in the second quarter and 5.3% in the third quarter, above that recorded in the first quarter. This is the highest growth in nine quarters and the first sign of economic recovery after two years of growth below 5%. Activity is projected to gradually rebound thanks to the recovery of business confidence after the elections, which will offset the unfavorable effect of the shortage of monsoon rains on agricultural growth. In 2015, the economy is expected to grow 6.3%, up from 5.8% in 2014.

Basic goods markets

During the last three quarters of the year, most commodity prices recorded sustained drops, after starting the year with an upward trend. The factors behind raw materials' recent decline are tied primarily with the weakening of activity in China; oversupply, especially for some industrial inputs such as iron, coal and copper, as well as for oil and some agricultural products such as corn and soybeans after a good harvest this summer; the imminent end of monetary stimulus in the US; and the appreciation of the dollar since July 2014. It is expected that the downward trend will hold in the short term.

In 2014, the Brent oil price dropped significantly, down 48%, to settle at close to USD 55 per barrel in late December, despite political tensions in the Middle East. The causes of this unprecedented market performance are linked to changes in both supply and demand. In Iraq, OPEC's second largest producer, clashes with Sunni jihadists are mainly in the north and west, with no impact on the oil industry in the south, where pumping rates are the highest in the past 35 years, about 3.6 million barrels per day. This level is in addition to the recovery in Libya (which has led to OPEC exceeding in August the level of 30

million b/d, the maximum preset level), combined with weak demand, still burdened by the European crisis and the slowdown in activity in emerging powers like China. It is estimated that the price of oil in 2015 will remain at average levels close to USD 56 per barrel.

GRAPH 2 **BRENT OIL PRICE (USD/BARREL)**



Source: *Bloomberg*.

Meanwhile, gold prices continued along their downward trend. Although in recent months the price was bolstered by the growing tension between Russia and Ukraine—as well as by the ongoing conflict in the Middle East; more recently the impact has weakened and prices are close to USD 1,180 per ounce. Ultimately, if stock markets continue to rise, paired with the strengthening dollar, reduced inflationary expectations and a decrease in demand from China and India, the price of gold will remain under downward pressure and reach around USD 1,200 per ounce in 2015.

Agricultural raw materials accumulated price losses, after undergoing a significant correction starting in April: soybeans, 25%; wheat, 17%; corn, 19%. They reached the lowest levels in the past four years. Coffee and cocoa are the only crops that appreciated and have done so at a good rate (54% and 13%, respectively). Exports from the Black Sea Region (formed by Ukraine, Kazakhstan and Russia) have maintained a normal evolution, regardless of the Russia-Ukraine conflict, contrary to what the market feared, which led to the fall in prices. Crop production reached historic levels, bringing inventories to record highs.

Stock markets and financial markets

At the beginning of the year, the volatility in the financial markets initiated in 2013 continued, related to the completion of monetary stimulus packages in the United States. However, stabilization of yields on long-term US bonds in the second quarter helped reverse this trend. In this sense, international financial markets recovered and have been favorable, with widespread increases in the stock markets in the last three months. Historically low volatility across all markets and a heightened appetite for risk, without episodes of uncertainties such as those associated with developments in Ukraine and Iraq, have also had a major impact. However, this greater optimism implies that downside risks arising from a correction in financial markets are now higher.

In advanced economies, stock markets experienced widespread increases and slight decreases were recorded in the yields of the main

10-year sovereign bonds. Positive figures for the US economy fed the S&P 500 and Dow Jones indices, which reached record highs. The S&P 500 index increased 12% annually as of December and the Dow Jones 8%. Stock market gains in the euro area were more moderate due to weak growth figures in France and Germany, the modest thrust of business income and a rise in uncertainty in the financial sector due to the problems of the Portuguese BES. The evolution of emerging markets was also positive but less so than in advanced economies. Major stock gains, reduced sovereign spreads and currency appreciations were recorded. All this helped reverse the deterioration observed at the beginning of the year.

The dollar strongly appreciated against the euro in the last quarter, reaching almost 8% per year, mainly due to the different cycles the economies are undergoing. While the expansion pace accelerated in the US and its economy will continue to grow, recovery of the euro area has halted significantly. The clear contrast between very low interest rates on the European side and a prospective interest rate rise in the US in mid-2015 will continue to put upward pressure on the dollar. In addition, it is worth noting that the dollar has also appreciated against most emerging countries' currencies.

Latin America: recent evolution and outlook

In the midst of an international context marked by sluggish emerging economies, the downward trend of the economic activity in Latin America continued throughout 2014. Although the probability of a collapse in regional growth is low, Latin America's rates are recording lower levels than those expected some years ago.

Real sector

In 2014, the growth of economic activity in the region was lower than the levels achieved in late 2013. Annual GDP in Latin America increased 1.2%, below the level recorded in the fourth quarter of 2013. External demand played a very important role in the slowdown, mainly because exports did not meet the expected volumes and the terms of trade deteriorated, especially in South America. However, domestic demand also contributed to the sluggishness. Notably, there was a stagnation of gross fixed capital formation and a slackening of growth in private consumption due to worsening expectations among economic agents.

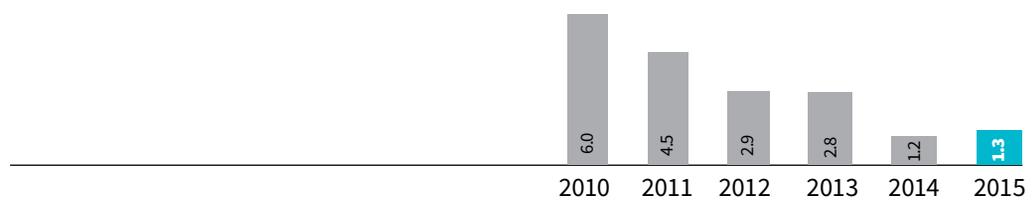
This weak growth also affected the job market. As in 2013, the employment rate fell regionally, due to a low rate of job creation in the formal sector. However, this downward change did not translate into an increase in the unemployment rate as a result of the 0.4% annual decline in the participation rate. This contributed to a continuous but moderate growth of real wages, which still conferred support to household consumption. By the close of 2014 the unemployment rate stood at levels close to 6%, slightly lower than the rate recorded in 2013.

In this scenario, it is expected that economic growth in the region will be about 1.3% in 2015, affected by the weakness of investment in most economies, and the slowdown in activity in China. While the recovery in the United States is expected to boost export growth in the coming quarters, this may benefit Central America and Mexico more than South America, where the slowdown in demand from China and the resulting weakening of prices of raw materials

will continue to weigh on that continent. However, the growth prospects and the phase of the cycle Latin American countries are experiencing are very heterogeneous throughout the region.

The balance of risks surrounding this outlook remains biased to the downside, mainly due to further deterioration in external conditions. There are no risks of adjustments in the demand induced by internal imbalances, with the exception of a few economies. However, the need for adjustment in these cases would also be precipitated by a further deterioration of external conditions.

GRAPH 3 **LATIN AMERICA. GDP GROWTH (%)**



Source: *IMF*.

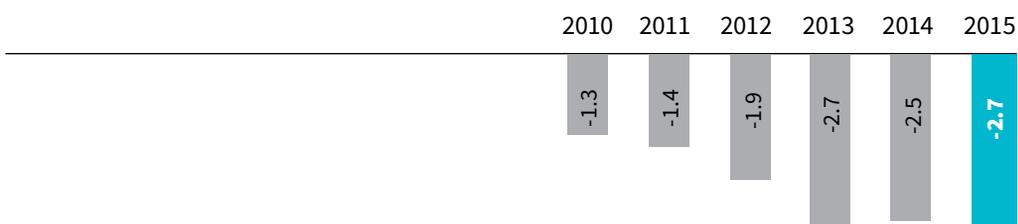
External sector

Latin America experienced a significant slowdown in trade flows to and from the region. The value of exports fell 0.1% in 2014. This decrease was related to the general decline in prices of raw materials and weak demand from emerging countries. Furthermore, this reduction has been very strong in South America, given that countries in this region are more exposed to commodity demand from Asian countries, particularly in the case of demand for metals, which has been reduced due to the slowdown in these economies. Meanwhile, the value of imports contracted by 1.1%, representing the first decline since the international financial crisis of 2008 and 2009. In this regard, the region's current account deficit reached 2.5% of GDP (compared to 2.7% of GDP in 2013), which halted the upward tendency of deficit during the previous four years. Important differences between regions and countries are also worth highlighting. In Central America high current account deficits persist, around 7% on average, while in South America, although still on the rise, they are holding at moderate levels.

Despite the volatility in international financial markets at the start of the year, caused by China's weak performance during that period and sharp depreciation in some emerging currencies, access to these markets improved over the course of the year for most countries. In general, Latin America was not affected by the increased perception of risk in emerging countries; in fact, rating agencies upgraded some countries' ratings. The end of monetary stimulus in the US, particularly the gradual rise in interest rates starting in 2015, indicates that financial conditions will be less favorable for the region than in recent years. However, the situation is manageable. On one hand, most countries' external financing

needs are moderate and, on the other hand, most of the current account deficit is financed by foreign direct investment. Similarly, Latin America has significant international reserves. However, with the prospect of a gradual rise in financing costs and deteriorating current account balances, countries with more flexible exchange rates and accumulated reserves are more likely to make a smooth transition to this new context.

GRAPH 4 **LATIN AMERICA. CURRENT ACCOUNT / GDP** (% OF GDP)



Source: *IMF*.

Fiscal accounts

In 2014, fiscal accounts showed a moderate decline due to lower revenues resulting from the fall in commodity prices and the slowdown of taxation to other sectors. Moreover, spending increased above the rate of GDP. It is estimated that central government deficit was around 2.7% of GDP on average, slightly above the 2.4% recorded in 2013. In this sense, the region will have less room to apply expansionary measures of the magnitude of those deployed in 2008 and 2009. Despite this, some countries still have fiscal space—although less—for some stimulus policies, due to low debt and deficit levels.

GRAPH 5 **LATIN AMERICA. FISCAL RESULT / GDP** (% OF GDP)



Source: *ECLAC*.

It is necessary that the countries of the region continue with the process of fiscal consolidation given that debt remains at about 34% of GDP, above pre-crisis levels (30% of GDP). Authorities also need to be alert and prevent the implementation of fiscal stimulus measures prematurely, which should only be considered in case of a significant deterioration in external or domestic conditions.

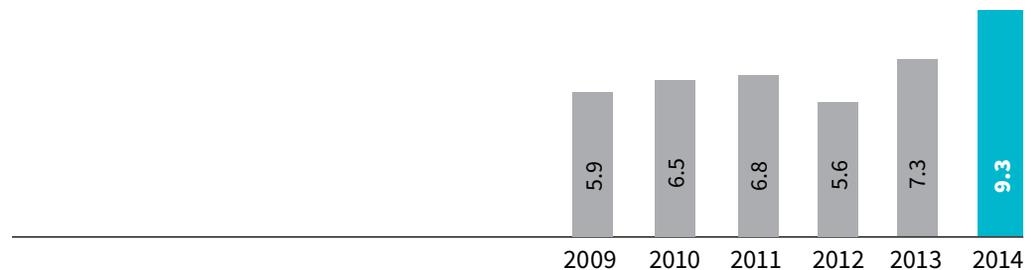
While the region has better macroeconomic fundamentals than in the past, the financial crisis required significant efforts to implement countercyclical policies that weakened the fiscal position of Latin America. In fact, from a structural perspective, even though the effects of the economic cycle on revenue were corrected, the fiscal space available before the 2009 crisis has not been recovered.

Although some progress has been made, there are countries with pending tax reforms needed to ensure the structural financing of expenditures; this is the only way that the sustainability of policies in the medium and long term can be guaranteed.

Monetary and exchange sector

Throughout the year, inflation in Latin America accelerated, reaching an annual rate close to 9%. In some countries, this was related to an increase in core inflation and the price of food. Over the course of the year, however, this upward trend eased.

GRAPH 6 **LATIN AMERICA. AVERAGE INFLATION (%)**



Source: ECLAC.

This mixture of slow economic growth and rising inflation has become a dilemma for monetary policy in certain cases. At the beginning of the year, some countries chose to raise policy interest rates while others slowed growth of the monetary base. However, with the easing of inflationary pressures midyear, several countries lowered policy rates to revive economic activity. Moreover, in some cases macro-prudential policies were carried out to adapt the management of bank reserves and capital flows, among other policies.

Volatility and high aversion to risk in financial markets at the start of the year led to the depreciation of Latin American currencies, particularly in anticipation of changes in the US monetary policy. However, during the second quarter of 2014, exchange rates stabilized and even appreciated again in some cases. The outlook for interest rates in the US and falling commodity prices indicate that exchange rates in the region will depreciate in the mid-term. In this regard, it is important to keep inflation

expectations anchored to harness the impact of the exchange rate onto prices, which until now has been kept restrained.

Competitiveness and business environment

Within this context marked by a slowdown, Latin America's structural challenges, which limit development, come into play.

The region must move forward with an agenda that aims to diversify exports, increase levels of savings and investment, improve productivity and competitiveness, and address the serious problem of equity. Latin America's biggest differences with respect to developed countries are related to technology and innovation capacity, which implies a need to improve infrastructure and human capital available to adapt to new global trends.

In this regard, it is necessary to evaluate the competitiveness of the region, where the Competitiveness Report of the World Economic Forum (WEF, 2014-2015) ranks Latin America, on average, in position 86 out of 144, coming in four places lower in the ranking compared to the previous year (82). This can be influenced by the region's slowdown in growth that began in 2012, but was deepened in 2013, caused primarily by the falling prices of raw materials, which then resulted in reduced access to credit and increasingly closed investment policies. Although some countries have benefited from their overall macroeconomic conditions and improvements at an institutional level, the most affected areas in terms of competitiveness include infrastructure, skills development, efficiency of labor markets and innovation (capacity to adopt ICT), which, coupled with a lack of institutional reforms to improve investment and business development conditions, have inhibited the ability of these countries to create solid foundations for growth, and hence competitiveness.

By taking into account the relative performance of Latin America globally, the leading country in the region in terms of competitiveness continues to be Chile (33), followed by Panama (48), Costa Rica (51), Brazil (57), Mexico (61) and Peru (65). Although all these countries, except Chile, fell in terms of their competitive position, they did make efforts to strengthen their macroeconomic situation, the efficiency of their domestic markets (capital and labor) and in some cases, the education system. However, the drop in ranking is influenced more by a lack of implementation of measures to reduce corruption, give better access to education and credit, and promote investment in ICT and transport infrastructure, which translates as poor institutional performance.

One essential aspect to consider in terms of competitiveness is the level of innovation of countries, which is measured in the WEF competitiveness report. This includes the level of investment in R & D, availability of scientists and engineers, patent applications, acquisition of technology products and innovation capacity in general. Countries like Costa Rica (34), Panama (40), Chile (48) and Mexico (61) took the lead, with Venezuela (137), Nicaragua (123) and Peru (117) being the countries that most lacked development in this area.

Just as the region has seen a decline in its competitive performance, Latin America remains one of the regions where companies face greatest difficulties in doing business, which is reflected in the Doing Business survey carried out annually by the World Bank. The 2014-2015 study reveals that Latin America stands on average at position 105 out of 185 countries assessed, while, in general, it takes 38 days to start a business in the region. When compared to the average number of days in developed countries (12 days) or to the world average (29 days), this indicator marks a very unflattering position for the region. However, countries like Ecuador, Brazil, Costa Rica, Uruguay and Panama have seen a significant

IT IS NECESSARY THAT THE COUNTRIES OF THE REGION CONTINUE WITH THE PROCESS OF FISCAL CONSOLIDATION GIVEN THAT DEBT REMAINS AT ABOUT 34% OF GDP, ABOVE PRE-CRISIS LEVELS (30% OF GDP).

improvement in its ease of doing business indicators compared to previous years, which may show an improvement in terms of management, bureaucracy and costs associated with starting up a business. Still, other indicators show that one of the major challenges the region is facing is to increase both labor and multifactor productivity, and resolve bottlenecks that make it impossible to drive local production growth in a context of increasing global competition.

Integration and international insertion

Latin America and the Caribbean are going through profound changes that affect the dynamics of regional integration, characterized by the presence of multiple scenarios and an agenda that over the course of the past year prioritized strengthening various levels of political dialogue, intraregional cooperation, relationships with third parties and coordination of common positions on issues of global order.

Throughout 2014 the main actions that stand out in this regard are: the strengthening of political coordination and cooperation, mainly in the framework of the Community of Latin American and Caribbean States (CELAC), the Union of South American Nations (Unasur), the Bolivarian Alliance for the Peoples of Our America-People's Trade Treaty (ALBA-TCP) and the PETROCARIBE agreement; progress on the agenda of subregional integration blocs, mainly the Southern Common Market (Mercosur), the Andean Community (CAN), the Central American Integration System (SICA) and the Mesoamerica Project (PM); and significant deployment of deep integration initiatives such as the Pacific Alliance (AP).

The consolidation of the agenda for political dialogue and institutional strengthening of the region's integration was particularly energized within the realm of CELAC, constituted as the largest representative mechanism for political coordination, cooperation and integration in Latin America and the Caribbean. In this regard, events worth highlighting include the second Summit of Heads of State and Government, the meetings of Ministers of Foreign Affairs, the second meeting of the Working Group for International Cooperation, the third Ministerial Meeting of Economy and Finance, the third Meeting of Ministers of Energy and the second Senior Officials Meeting on Science and Technology, in addition to the second Meeting of the Working Group on Infrastructure for the Physical Integration of Transport, Telecommunications and Border Integration.

The second Summit of Heads of State and Government of CELAC, held in Cuba, reflected on the progress in unity and political, economic, social and cultural integration of the region, reiterating the commitment to promote a common space in the face of the challenges of a world in transformation. In this context, countries were in favor of creating a CELAC-China forum and moving forward with a working plan aimed at the second CELAC-EU Summit to be held in 2015. During its tenure as head of the presidency pro tempore, Cuba deployed an agenda that included the coordination of multiple sectoral meetings at both ministerial and technical levels in areas such as energy, finance, productive and industrial development, social development, environment, education and culture, science and technology, drugs, cooperation and humanitarian assistance.

During the second Meeting of the Working Group for International Cooperation, held in Costa Rica, the conceptual framework of the International Cooperation for Development, which reflects the Latin American and Caribbean vision on South-South Cooperation, was approved. Another important event was a meeting held in Brazil between the BRICS and the CELAC countries, at which a Chinese proposal to create a fund with USD 35 billion to finance infrastructure projects and productive development in Latin America was highlighted.

Within the framework of the second Meeting of Ministers of Economy and Finance, held in Costa Rica, five pertinent topics to the regional agenda were addressed: policies for productive and industrial development, value chains and business partnerships, investment and education for employment, sustainable production and energy, and women and youth in inclusive development policies.

The third Meeting of Energy Ministers, held in El Salvador, assessed regional progress made in matters such as energy security, sustainable development, proper or balanced use of energy and renewable and non-renewable sources. As a result of the meeting's agenda, a Latin American and Caribbean Energy Strategy was set as a priority of the work plan of the presidency that the Ecuador will assume pro tempore in 2015.

The second Meeting of Senior Officials on Science and Technology, held in Costa Rica, provided an opportunity for the countries to exchange best practices in an effort to encourage the formulation of public policies in science, technology and innovation. As a result, the San José Declaration on Human Talent in Science, Technology and Innovation for the Competitiveness of the Community of Latin American and Caribbean States recognized the importance of providing ideal conditions so that the region's human talent is a driving force in the knowledge society, essential for sustainable development and competitiveness.

Meanwhile, at the second Meeting of the Working Group on Infrastructure for the Physical Integration of Transport, Telecommunications and Border Integration, held in Uruguay, the state of the Plan of Action of Santiago was assessed with particular emphasis on priority topics for the region, such as the situation of the infrastructure for the physical integration of the Latin American and Caribbean; information systems; logistics and transport facilitation; progress in telecommunications and information technology; and the latest developments on border integration.

Over the past year, UNASUR made progress with its Work Plan 2012-2014; an assessment of the achievements made to date was discussed within the framework of the eighth Regular Meeting of Heads of State and Government, held in the Ecuador, during which Uruguay became president pro tempore of the body. Another event worth highlighting is the inauguration of the new headquarters of the General Secretariat in Quito of the Nestor Kirchner Building.

Within this framework, the document "From Vision to Action" was approved. Among its main objectives is the creation of a medicines price bank in collaboration with the South American Institute of Government in Health (ISAGS); the development of a map for producing generic drugs in South America; the approval of a proposed alternative drug policy to be presented at the UN General Assembly in 2016; creating armies with sufficient manpower for immediate response to potential natural disasters; the creation of the South American School of Defense (ESUDE) and the Election Support Unit to support UNASUR's electoral missions. Additionally, of the 31 infrastructure projects prioritized by the countries on the Integration Priority Project Agenda (API) 2013, the presidents reaffirmed their support for the execution of seven of them in an effort to expedite their execution as quickly as possible. These initiatives are: a roadway to integrate Venezuela, Suriname and Guyana; the Amazon corridor involving Venezuela, Ecuador and Brazil; Inter-oceanic railway from Antofagasta to Santos and involves seven countries; the Rio de la Plata system which includes all the waterways; Caracas-Bogotá corridor; the Ciudad del Este-Asuncion-Clorinda connection; and railway connections between Argentina, Uruguay and Paraguay.

THE SECOND MEETING OF SENIOR OFFICIALS ON SCIENCE AND TECHNOLOGY, HELD IN COSTA RICA, PROVIDED AN OPPORTUNITY FOR THE COUNTRIES TO EXCHANGE BEST PRACTICES IN AN EFFORT TO ENCOURAGE THE FORMULATION OF PUBLIC POLICIES IN SCIENCE, TECHNOLOGY AND INNOVATION.

Meanwhile, at the tenth Meeting of the Coordinating Committee of the South American Infrastructure and Planning Council (COSIPLAN) held in the Eastern Republic of Uruguay, the work plan of the coordinating committee was presented, along with the activities carried out during 2014 by various working groups, including an update of the API and the 2014 report. At the same time, the Work Plan 2015 was approved. This outlines the analysis of the methodology of territorial planning process; an assessment of the infrastructure networks in South America; an analysis of social participation and the active contribution of those communities involved in the different projects; the promotion of regulatory convergence that balances the development of regional infrastructure; and the joint and simultaneous search for synergies with other Unasur institutions and other integration mechanisms as set out in the Strategic Action Plan 2012-2022.

Also, it is worth noting the progress made in the same year at meetings of Unasur's Financial Integration Group (GTIF), conferring continuity to the joint discussion on intraregional export guarantees and commercial aspects of regional productive integration projects; strengthening and resizing of a reserve fund and feasibility of the establishment of a network of swaps among Unasur countries to address crises of balance of payments caused by temporary imbalances; and financing of regional infrastructure.

At the second Regular Meeting of the Council of Ministers of the South Bank, held in Argentina, a process was begun to appoint entity directors and members of the ad hoc committee responsible in 2015 for the operational oversight of the bank and especially, the drafting of regulations and procedures. Additionally, the schedule of contributions from member countries was set.

For its part, the XIII Summit of the Bolivarian Alliance for the Peoples of Our America Trade Agreement (ALBA-TCP) held in Cuba, agreed to prioritize joint actions to emphasize the fight against poverty and social exclusion, which were carried out under a project of political, social and economic collaboration and complementarity between nations of Latin America and the Caribbean, with special attention to global challenges that transcend the region, like the Ebola virus epidemic. The countries also committed to maintain and strengthen cooperation with Haiti and to support all efforts in this region and others in the world in terms of economic and social reconstruction of this nation. Meanwhile, support was approved for the design and concrete actions to operationalize the construction and development of Complementary ALBA-TCP, Petrocaribe, CARICOM and Mercosur Economic Zone as an area of economic-productive complementarity. In the framework of this summit, the Federation of Saint Kitts and Nevis and Granada were welcomed as full members.

The VIII Summit of Heads of State and Government of the PETROCARIBE Agreement, held in Nicaragua, established the technical and legal bases aimed at creating a PETROCARIBE Economic Zone (ZEP) in order to increase and diversify inter-regional trade, promote investment and drive shared development. The Final Declaration includes the cross and multidisciplinary assessment of the commercial, economic, financial, scientific, technological and legal aspects of five programs: transport and communications, productive linkages, tourism, trade and social and cultural integration.

Regarding the progress made with the agenda of subregional integration blocs, the XLVI Summit of Heads of State of Mercosur was held in Venezuela where the presidents voiced their commitment to the productive development of the region, an acceleration of the implementation of South Bank and the promotion of the creation of Complementary Economic Zone between the Mercosur member states, and member countries of the ALBA-TCP, PETROCARIBE and CARICOM.

**IT IS WORTH NOTING THE
PROGRESS MADE IN 2014
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GROUP (GTIF).**

Additionally, the Environmental Agenda of Mercosur was presented based on the development of five strategic lines that will deepen countries' commitments to environmental conservation and the development of programs to promote social inclusion and cooperation in all its forms, including South-South Cooperation.

Meanwhile, during the XLVII Summit of Heads of State of Mercosur, held in Argentina, the presidents reaffirmed their priority commitment to strengthening the social and civic dimension of the block and favoring complementarity of domestic production structures. In this regard, the approval of the first program of Sectoral Productive Integration and Regulation of the Productive Strengthening Mechanism. In addition, the strategic importance of the Fund for Structural Convergence of Mercosur (FOCEM) was emphasized. During 2014, the fund prioritized a new group of projects, encouraging its continuity after 10 years since it was originally envisaged, formalizing Venezuela's admission. Similarly, Mercosur's second Science, Technology and Innovation Framework Program 2015-2019 was approved as a space to promote the integration of existing capabilities in the block based on shared priorities and support the sustainable scientific and technological development in the Member States.

The presidents highlighted the work done in 2014 by the Consultative Forum of Municipalities, Federated States, Provinces and Departments of Mercosur (FCCR) and the progress made in regard to productive integration between the Plan for Linking Productive Clusters and Regional Citizenship and the Support Unit for Social Participation. Moreover, the Forum held the first and second workshop entitled "Toward a better use of Mercosur's waterways" aimed at promoting conclusions and recommendations for the development of waterways in the block.

In the area of third-party relations, Mercosur member states affirmed their willingness to continue advancing in an agreement with the European Union and evaluated a proposal to sign a Framework Partnership Agreement between Mercosur and SICA that includes a dialogue mechanism political, cooperation and trade and investment in order to strengthen Latin American regional integration.

During the XXXVIII Meeting of the Andean Council of Foreign Ministers, in Peru, the countries of the Andean Community (CAN) reached important agreements on policy areas prioritized by the process of institutional reengineering, the new structure of the General Secretariat and the list of committees and ad hoc groups with emphasis in the areas of market access, agricultural health, quality and technical barriers to trade, physical integration, production patterns, services and investment, social affairs, intellectual property and special areas. On the other hand, the Bolivia, which received CAN's president pro tempore in October, reiterated its commitment to deepen the process of reengineering the block and its support for a reform of the settlement mechanism for Andean disputes through conciliation and agreement.

In the context of the CAN commission's various meetings held throughout the year, discussions continued regarding Decision 416 related to the elimination of the list of non-originating materials from certification and control of origin; deadlines related to the suspension of the common external tariff; and topics related to services. Moreover, progress on reengineering the Andean Integration System, Decision 792, was granted priority, giving way to a community agenda to strengthen social aspects, commercial integration and electrical interconnection.

In the XLIV Meeting of Heads of State and Government of the member countries of the Central American Integration System (SICA), held in Belize, several matters were addressed, including an agreement on the consolidation of a new framework for cooperation and financing for



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sustainable development, in line with the Millennium Development Goals (MDGs) target set by the United Nations. Additionally, the Regional Health Policy, a strategic framework for the next eight years, was approved. The presidents requested that a regional financial integration project be drafted and they called for progress in the work agendas on tariffs, trade, migration, climate change and border security. Moreover, the accession of the State of Qatar as an extra-regional observer to the block was approved and an agreement was signed with Taiwan for USD 23 million in aid for the region.

In regard to the Mesoamerica Project, during the first half of 2014 the Panama-Mexico joint presidency proposed a course of action to push forward specific projects including the Mesoamerican Integration Corridor (roads and border ports of the Pacific Corridor); trade and competitiveness facilitation (international multimodal transport of goods); risk management and climate change (Climate Services Center); and master plans for public health, electric interconnection, telecommunications and a Central American train service. During the second half of the year, under the Colombia-Mexico joint presidency, thematic workshops on topics of regional interest and strategic importance were held, such as the II Mesoamerica and Caribbean Subregional Workshop, which explored financing schemes for projects on climate change. Another workshop Financing and Guaranty Schemes and Tools for MSMEs promoted a space for the exchange of successful experiences and lessons learned on financial instruments and guarantees for MSMEs; and the Workshop on Upgrading Informal Settlements designed to present successful experiences in the field and identify the needs and priorities in the region's countries, in order to define elements for a program of South-South Cooperation.

Significantly, at the Meeting of Directors and Representatives of Energy, held in Mexico, four strategic lines of work were defined: Mesoamerican electricity interconnection; promotion of renewable and/or alternative energy sources; rational and efficient use of energy; and the relationship between energy and climate change.

During the VIII Summit of the Pacific Alliance, held in Colombia, member countries signed the Additional Protocol to the Framework Agreement, a key instrument for the liberalization of goods, services and capital between the four countries. Upon entry into force, 92% of tariffs will be eliminated and the remaining 8% will be gradually abolished. Also it modernizes existing bilateral agreements introducing substantive issues for the competitiveness of the regional bloc such as public procurement, financial services, maritime services, among others.

Meanwhile, during the IX Presidential Summit of the Pacific Alliance, held in Mexico, member countries committed themselves to an ambitious agenda that emphasizes: the incorporation of the Mexican Stock Exchange (BMV) to the Latin American Integrated Market (MILA); the strengthening of the Pacific Alliance's instant information exchange platform for immigration security; the presentation of an entrepreneurship agenda for small and medium-size enterprises (SMEs); support for discussions regarding an infrastructure development fund; the presentation of the Technical Innovation Group's work program; the consolidation of a graphic identity for the Pacific Alliance and the adoption of the work plan for the global dissemination of the mechanism.

Finally, an informative ministerial meeting about the Pacific Alliance was convened with Mercosur Member States. The meeting, held in Colombia, created an opportunity for rapprochement between blocks at which they put into motion an investigation into different areas that facilitate the block's cooperation: trade facilitation, reciprocal investment, physical integration, technological innovation and movement of people.

Operations

Approvals

- Approvals by product
- Approvals by country
- Approvals by strategic area
- Approvals by term
- Approvals by type of risk

Disbursements

- Disbursements by product
- Disbursements by country

Portfolio

- Portfolio by country
- Portfolio by economic sector
- Portfolio by term
- Portfolio by type of risk

Cooperation funds



OPERATIONS

In 2014, CAF approved 164 credit operations for a total of USD 11.7 billion within a context of moderate global economic growth and a slowdown in emerging economies. Financing demand from countries on CAF remained dynamic, which made it possible to sustain the pace of growth from recent years. Annual results were positive, objectives were achieved in terms of expansion and portfolio diversification, and a significant amount of disbursements were made so that CAF could continue to accompany countries' development plans.

Over the course of five years, 2010-2014, approvals reached USD 53.7 billion, disbursements rose to USD 33.4 billion and the portfolio recorded a net growth of USD 7.7 billion, representing a rise of 65% for the period. This dynamism produced an increase in the amount of average annual approvals over the last five years compared to the previous five years, up from USD 6.8 billion on average per year for the period 2005-2009 to USD 10.7 billion on average per year in 2010-2014.

CAF –Development Bank of Latin America– with 18 shareholder countries, has continued to reach out to Central America and the Caribbean, encouraging more countries to join the entity. In this regard, throughout the year, steps were made toward formalizing Barbados' entry as a shareholder.

Headquartered in Caracas, Venezuela, CAF has 12 offices of representation located in Latin America, the Caribbean and Europe. In 2014, the institution opened an office of representation in Mexico City in an effort to better address the country's needs, while strengthening CAF's regional presence at the same time.

Flexibility, financial strength, industry experience and support were, once again, the variables that characterized CAF's operational management in 2014. During the year, a set of in-house sovereign and non-sovereign loan processes were strengthened in order to improve operating results. Additionally, CAF ratified its capacity for delivering a proactive, effective and timely response to the needs of shareholder countries and private clients. All this took place in coordination with local authorities, ensuring that CAF's interventions are aligning with national development plans.

Finally, cooperation funds continued to support shareholder countries' technical capacity, aimed at promoting innovative programs that contribute to sustainable development and regional integration. Technical cooperation operations targeted companies, international agencies or organizations in the public and private sectors of shareholders countries. It is important to highlight that these operations were aligned with the strategy, the knowledge agenda and the business plan of each country. In 2014, CAF approved USD 40 million in operations through funds.



OPERATIONS

Over the course of five years, **2010-2014**, approvals reached **USD 53.7 billion**, disbursements rose to **USD 33.4 billion** and the portfolio recorded a net growth of **USD 7.7 billion**, representing an **increase of 65% for the period**.

2010-2014

Approvals

11.7
USD billion
Total approvals

In the 2014 fiscal year, CAF approved 164 financing operations for USD 11.7 billion. Of the total approved credit, USD 3.4 billion was allocated to sovereign and non-sovereign loans, with the aim of accompanying countries in their medium and long-term development strategies. The annual approval program for loans includes 49 medium and long-term investment projects, comprising 33 projects with a sovereign guarantee for USD 2.7 billion and 16 projects without a sovereign guarantee for USD 770 million. Moreover, financial and corporate lines of credit were approved for USD 6.3 billion to boost the region's process of productive transformation. The remaining USD 2 billion were destined for partial credit guarantee transactions, equity interests, contingent credit lines and cooperation funds.

High levels of annual approvals show not only the solid and dynamic assistance CAF extended to the countries throughout the region in support of their government programs, but it also reflects a sustained institutional capacity to respond to the strong dynamism that the corporate and financial sectors have undergone in Latin America.

GRAPH 1 **APPROVALS** (IN MILLIONS OF USD)

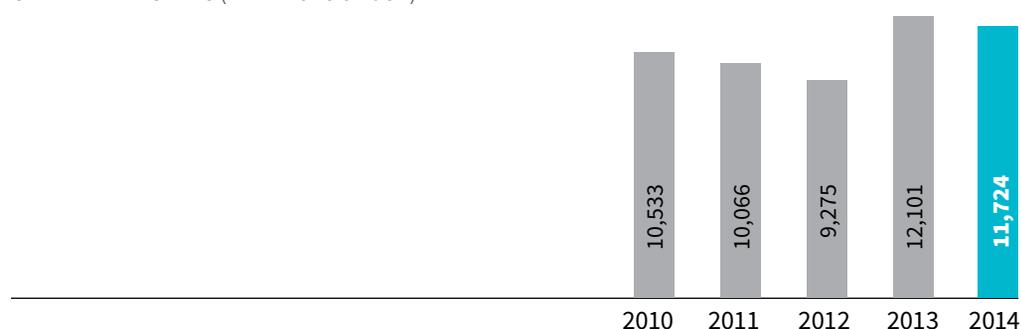


TABLE 1 **APPROVALS BY PRODUCT** (IN MILLIONS OF USD)

	Approved
Sovereign	5,052
Loans	2,652
Investment programs and projects	2,602
Programmatic and swaps	50
Contingent lines of credit	1,600
Financial sector lines of credit	800
Non-sovereign	6,633
Corporate loans	560
A/B loans	209
Tranche A	82
Tranche B	127
Lines of credit	5,491
Corporate	1,157
Financials	4,335
Partial credit guarantees	203
Equity interest	169
Cooperation funds	40
Total	11,724

During 2014, CAF continued efforts to deepen its catalytic role by leveraging third-party resources for the promotion of the development agenda of its shareholder countries. As a result of CAF's catalytic operations, USD 372 million in resources were allocated.

TABLE 2 **CATALYTIC APPROVALS** (IN MILLIONS OF USD)

Part B of A/B loans	127
Co-financing	102
Portfolio sales	143
Total	372

Approvals by country

An increase in transactions in the majority of its shareholder countries reflects CAF's strong position throughout the region.

CAF's founding shareholder countries (Bolivia, Colombia, Ecuador, Peru and Venezuela) continue to represent the largest percentage of annual approvals, 50%, for USD 5.9 billion. However, full members (Argentina, Brazil, Panama, Paraguay, Trinidad and Tobago, and Uruguay) along with series "C" members (Mexico, Dominican Republic, Costa Rica, Chile, Spain, Jamaica and Portugal) have recorded a progressive increase in their share of annual approvals, reaching 32.5% and 17.5%, respectively.

TABLE 3 **APPROVALS BY COUNTRY** (IN MILLIONS OF USD)

País	2010	2011	2012	2013	2014	2010-14
Argentina	1,607	1,346	839	1,100	674	5,566
Bolivia	426	407	485	684	625	2,628
Brazil	1,980	1,797	1,903	2,234	1,903	9,818
Colombia	992	1,456	841	1,563	1,552	6,404
Costa Rica	10	10	10	10	10	50
Dominican Republic	0	10	10	43	60	124
Ecuador	901	772	766	843	800	4,081
Mexico	35	29	82	380	549	1,075
Panama	312	484	328	325	299	1,748
Paraguay	36	120	189	431	181	956
Peru	1,693	2,184	1,749	2,644	2,415	10,686
Uruguay	120	648	729	586	754	2,836
Venezuela	1,638	531	327	417	475	3,388
Others	783	270	1,017	841	1,428	4,339
Total	10,533	10,066	9,275	12,101	11,725	53,699

Approvals by strategic area

Approvals for 2014 reflect the efforts made to diversify the interventions in priority areas. From a sectoral perspective, 23.6% of approved funding went to infrastructure (energy, roads, transport and telecommunications), in line with the priorities established in the development agendas of shareholder countries. USD 2.6 billion in this sector went to support economic infrastructure activities, with an emphasis once more on financing road, power generation and electricity distribution programs, and mass transit projects.

TABLE 4 **APPROVALS BY STRATEGIC AREA** (IN MILLIONS OF USD)

	Approved
Financial systems	5,293
Economic infrastructure	2,646
Social and environmental development	1,762
Productive sector	1,012
Structural reforms	850
Integration infrastructure	121
Cooperation funds	40
Total	11,724

Support conferred to Bolivia for the country's road sector stands out. Various road construction and rehabilitation projects have been approved, including a project to rehabilitate and reconstruct highway F-07, along the Epizana-Comarapa section and construction of the El Torto-Espejos bridge. Also in the infrastructure sector, projects worth highlighting include the Special Vehicle for Infrastructure Financing (VEFIC, for its acronym in Spanish) in Colombia; Project Line 2 and the Gambetta-Faucett Avenue section of the basic Lima and Callao metro network in Peru; an improvement project of local rural roads and bridges in Eastern Paraguay; the Rosendo Mendoza wind farm in Uruguay; and a project to supply and install underwater cables in Lake Maracaibo in Venezuela.

Moreover, 15% of approvals went to the area of social development, which serves a broad spectrum of issues, including: potable water, sanitation, drainage, irrigation, solid waste management, public safety, natural disaster response, education and housing. Approvals in this area totaled USD 1.8 billion, with 14 projects in all. The funds were allocated to initiatives such as the construction of stage 4 of the Bahia Blanca-Colorado River aqueduct, Argentina; recovery and expansion of infrastructure and tourism in the municipality of Fortaleza, Brazil; new educational infrastructure program in Ecuador; the program of aqueducts and national sewage systems (PAYSAN, for its acronym in Spanish) in Panama; and a sanitation project in Lake Valencia in Venezuela.



to industries like manufacturing, development banks and commercial banks.



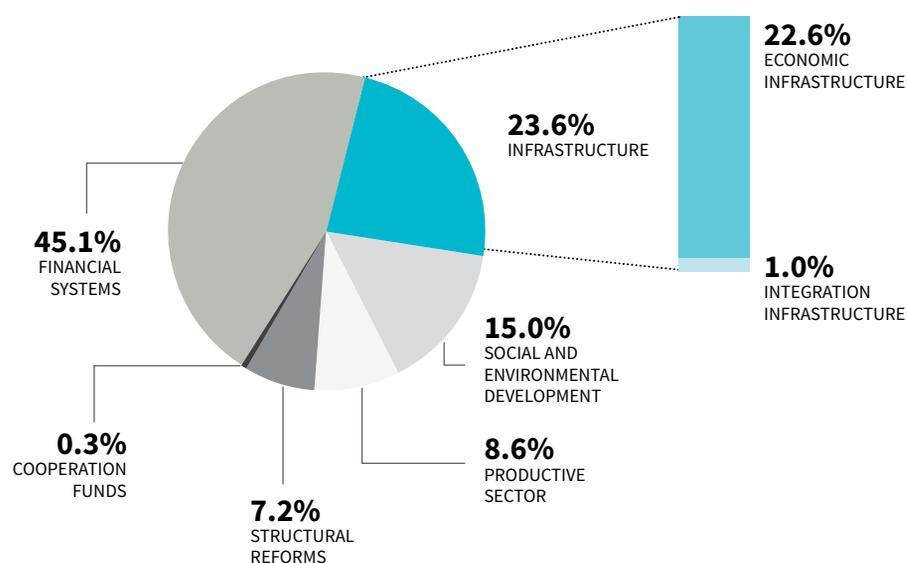
CAF has continued to support the financing of micro, small and medium enterprises through **22 financing facilities** composed of lines of credit to microfinance institutions and development banks, partial credit guarantees and equity investments in venture capital funds and mutual guarantee companies.

In order to strengthen new relationships with clients in the productive and financial sectors and accompany countries in their process of productive transformation, CAF allocated USD 6.3 billion to industries like manufacturing, development banks and commercial banks. Resources were channeled through corporate loans, short and medium-term credit lines, with or without sovereign guarantees and renewed credit lines. In 2014, national development banks once again achieved a standout position in the composition of approvals, reflecting CAF's comprehensive efforts to promote shareholder countries' development strategies.

Within this sector, CAF continued to support the financing of micro, small and medium enterprises through 22 financing facilities between lines of credit to microfinance institutions and development banks, partial credit guarantees and equity investments in venture capital funds and mutual guarantee companies. These facilities, which amounted to USD 504 million in 2014, benefited business sectors. Another highlight was the approval of a credit line to the Bank of Economic and Social Development of Venezuela (Bandes, for its acronym in Spanish), for loans or guarantees, aimed at directly or indirectly supporting Venezuelan micro, small and medium enterprises. Moreover, credit lines were approved for the microfinance institution Abaco Cooperative in Peru and the Official Credit Institute (ICO, for its acronym in Spanish). Also during the year, the credit portfolio for venture capital funds continued to grow. Two investments were approved in Chile: Endurance Venture Equity, which has a multisectoral approach to investing in companies with high growth potential; and Aurus Venture III, to invest in SMEs seeking new uses for the copper industry's products and byproducts.

Furthermore, total approvals in 2014 included USD 850 million for structural reforms, representing 7.2% of this aggregate. In the Dominican Republic, in order to optimize the management processes of public credit, a USD 50 million programmatic loan was approved. CAF also renewed contingent credit lines in favor of Peru and Uruguay as preventive financing tools in the event that they run up against difficulties accessing international capital markets on competitive terms.

Finally, annual approvals included USD 40 million for non-reimbursable technical cooperation operations, representing 0.3% of the aggregate sum. CAF was able to complement the technical capabilities of the financial actions deployed with these financial resources thereby contributing to sustainable development. This was achieved through the generation and use of knowledge as well as training of human resources and strengthening of institutions for better implementation of the investment projects and programs.

GRAPH 2 **APPROVALS BY STRATEGIC AREA**

Approvals by term

In 2014, 30.7% of approvals, USD 3.6 billion, was allocated to support long-term investment projects with a high impact on development, aligned with the national strategies of the countries in order to directly support those segments not addressed by other sources. Meanwhile, medium and short-term loans reached USD 8.1 billion, representing 69.3% of the total approved in 2014.

However, the trend of approvals over the past five years has leaned toward long-term loan resources, which will be reflected in the portfolio during the upcoming years.

TABLE 5 **APPROVALS BY TERM** (IN MILLIONS OF USD)

	2010	2011	2012	2013	2014	2010-14
Long-term loans	6,830	4,946	4,281	5,854	3,596	25,507
Medium-term loans	268	175	46	100	356	945
Short-term loans	3,436	4,945	4,948	6,147	7,773	27,248
Total	10,533	10,066	9,275	12,101	11,724	53,699

Approvals by type of risk

During 2014, the distribution by type of risk highlighted an increase in the percentage of non-sovereign approvals, which reached USD 6.7 billion, equivalent to 56.9% of the total. 11.6% of these approvals corresponded to corporate loans and A/B loans ensuring CAF's contribution to development by financing companies with important projects in the region. Highlights include USD 5.9 billion channeled to public and private productive and financial sectors through credit lines, partial guarantees and equity investments, which needed short and medium-term resources to finance working capital, foreign trade operations and investments.

Within these approvals, it is worth noting the relative weight maintained by operations with public companies without a sovereign guarantee. This occurrence has been strengthened by CAF's sectoral approach with which it addresses countries integrally and exploits the existing synergies within the institution.

Moreover, USD 5.1 billion committed to the sovereign sector represented 43.1% of total CAF's approvals. Just over half (51.5%) were transactions tied to long-term loans that accompany the countries' development plans. Contingent credit lines and credit lines granted to public financial institutions of development accounted for 47.5%, while 1% went to programmatic loans.

TABLE 6 **APPROVALS BY TYPE OF RISK** (IN MILLIONS OF USD)

	2010	2011	2012	2013	2014	2010-14
Sovereign	5,796	4,528	4,586	5,523	5,052	25,486
Non-sovereign	4,737	5,538	4,689	6,578	6,672	28,213
Total	10,533	10,066	9,275	12,101	11,724	53,699

USD 5.1 BILLION COMMITTED TO THE SOVEREIGN SECTOR REPRESENTED 43.1% OF TOTAL CAF'S APPROVALS. JUST OVER HALF (51.5%) WERE TRANSACTIONS TIED TO LONG-TERM LOANS THAT ACCOMPANY THE COUNTRIES' DEVELOPMENT PLANS.

Disbursements

Disbursements by product

During 2014, CAF disbursed USD 6.1 billion to its clients, less than in 2013 as a result of lower turnover of the lines of short-term credit in the financial sector. However, interestingly enough, 47% of the total amount disbursed in the year, USD 2.9 billion, was committed to medium and long-term programs and projects, and of this amount, 76%, USD 2.2 billion, went to sovereign guaranteed loans to finance priority projects on CAF's development agenda.

GRAPH 3 **DISBURSEMENTS** (IN MILLIONS OF USD)

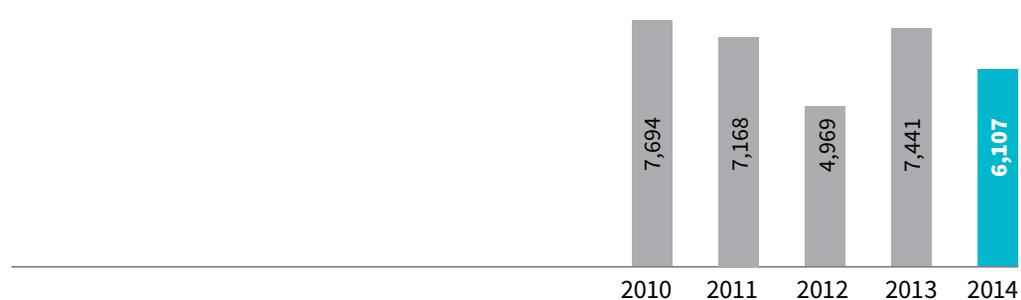


TABLE 7 **DISBURSEMENTS BY PRODUCT** (IN MILLIONS OF USD)

	2014
Medium and long-term loans	2,858
Sovereign	2,182
Investment programs and projects	2,086
Programmatic and swaps	96
Non-sovereign	676
Lines of credit (enterprises and banks)	3,133
Equity interests	90
Cooperation funds	26
Total	6,107

Disbursements by country

Of the total disbursed in 2014, 46.5% went to the founding members (Bolivia, Colombia, Ecuador, Peru and Venezuela), 33.5% to new full members (Argentina, Brazil, Panama, Paraguay and Uruguay) and 20% to series “C” members (Chile, Costa Rica, Spain, Mexico, Dominican Republic and Portugal), which reflects CAF’s efforts to diversify its operations regionally amongst all of the institution’s new shareholders.

Notably, 51.2% of disbursements were concentrated in Brazil, Colombia, Peru and Mexico, countries where the financial sector performed the strongest in 2014. This result continues the trend seen over the past five years, where average amounts distributed among these countries accounted for 59% of CAF’s disbursements.

TABLE 8 **DISBURSEMENTS BY COUNTRY** (IN MILLIONS OF USD)

	2010	2011	2012	2013	2014	2010-14
Argentina	283	663	464	585	560	2,555
Bolivia	253	266	338	323	322	1,502
Brazil	1,226	963	1,028	1,833	728	5,778
Colombia	1,601	1,836	855	1,146	1,081	6,520
Costa Rica	0	7	7	11	23	48
Dominican Republic	45	39	27	11	12	134
Ecuador	721	566	736	661	637	3,322
Mexico	23	20	7	190	791	1,030
Panama	23	177	256	326	420	1,202
Paraguay	51	43	47	73	96	310
Peru	2,494	1,303	618	1,403	525	6,343
Uruguay	95	52	9	108	244	509
Venezuela	685	905	359	365	276	2,590
Others	193	328	217	407	393	1,538
Total	7,694	7,168	4,969	7,441	6,107	33,379

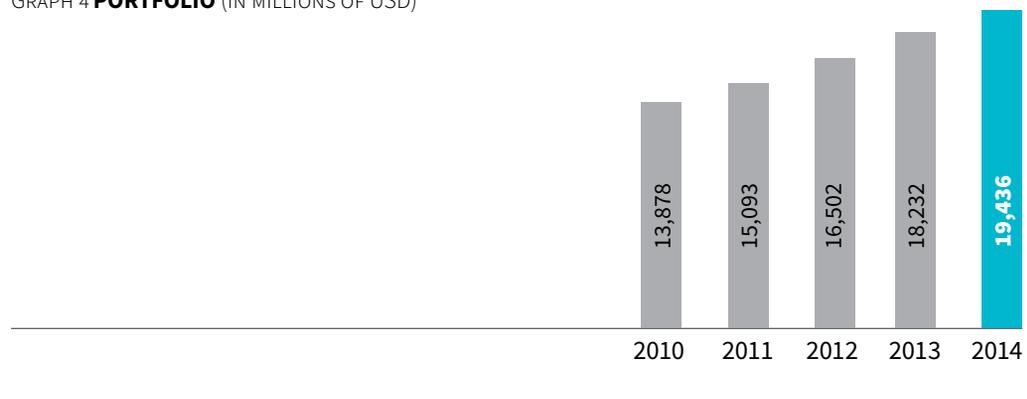
CAF'S EFFORTS TO DIVERSIFY ITS OPERATIONS REGIONALLY WERE ALSO REFLECTED THROUGH A REDISTRIBUTION OF TRANSACTIONS AMONGST ALL OF THE INSTITUTION'S NEW MEMBERS.

Portfolio

At year-end 2014, CAF's portfolio of active projects, programs and investments totaled USD 19.4 billion, a 6.6% increase over the amount recorded at the end of 2013. This result reinforces the growing trend seen with approvals in recent years in response to the economic dynamics and demands of Latin American countries. Over the past five years, the progress that CAF has made implementing its financial actions has led to a 65% increase in the accumulated portfolio, from USD 11.8 billion at the beginning of 2010 to USD 19.4 billion in 2014.

Demand projections in the region and CAF's operational and financial strength suggest that this dynamic growth will continue in the coming years. For this reason, the institution has emphasized the need to move forward in prioritizing operations and implementing projects with results aimed at development. With these objectives, CAF has reaffirmed its intention to continue to support countries and executing entities in their efforts to strengthen their institutional capacities to ensure the successful implementation of their actions.

GRAPH 4 **PORTFOLIO** (IN MILLIONS OF USD)



Portfolio by country

Portfolio growth in 2014 reflects the economic dynamics Latin American countries are experiencing. The geographical distribution of the portfolio shows, meanwhile, a trend toward the north of the region (Colombia, Costa Rica, Ecuador, Mexico, Panama, Peru, Dominican Republic and Venezuela) with 60% of the total, representing the mature portfolio of four of the five founding CAF members. Countries in the south (Argentina, Bolivia, Brazil, Paraguay and Uruguay) account for 38% of the portfolio, and the remaining 2% correspond to multinational and extra-regional operations. Although the portfolio's regional distribution in recent years has remained focused primarily on the North, the South is gaining presence compared with the preceding five-year period (2005-2009), when South American countries accounted for 25% of the total portfolio.

The South's increased share in the portfolio reflects the gradual incorporation process of Argentina, Brazil, Paraguay and Uruguay as plenary CAF members, which translates into greater regional diversification.

TABLE 9 **PORTFOLIO BY COUNTRY** (IN MILLIONS OF USD)

	2010	2011	2012	2013	2014
Argentina	1,395	1,913	2,117	2,459	2,720
Bolivia	1,309	1,426	1,605	1,761	1,919
Brazil	1,116	992	1,258	1,681	1,972
Colombia	1,974	1,829	1,850	1,848	1,832
Costa Rica	121	118	110	105	113
Dominican Republic	120	158	176	178	172
Ecuador	2,437	2,509	2,649	2,736	2,825
Mexico	25	24	29	212	159
Panama	90	246	479	783	1,155
Paraguay	66	100	135	190	249
Peru	2,186	2,578	2,670	2,493	2,347
Uruguay	657	352	332	379	509
Venezuela	2,228	2,652	2,816	2,962	3,002
Other countries	156	194	277	447	461
Total	13,878	15,093	16,502	18,232	19,436

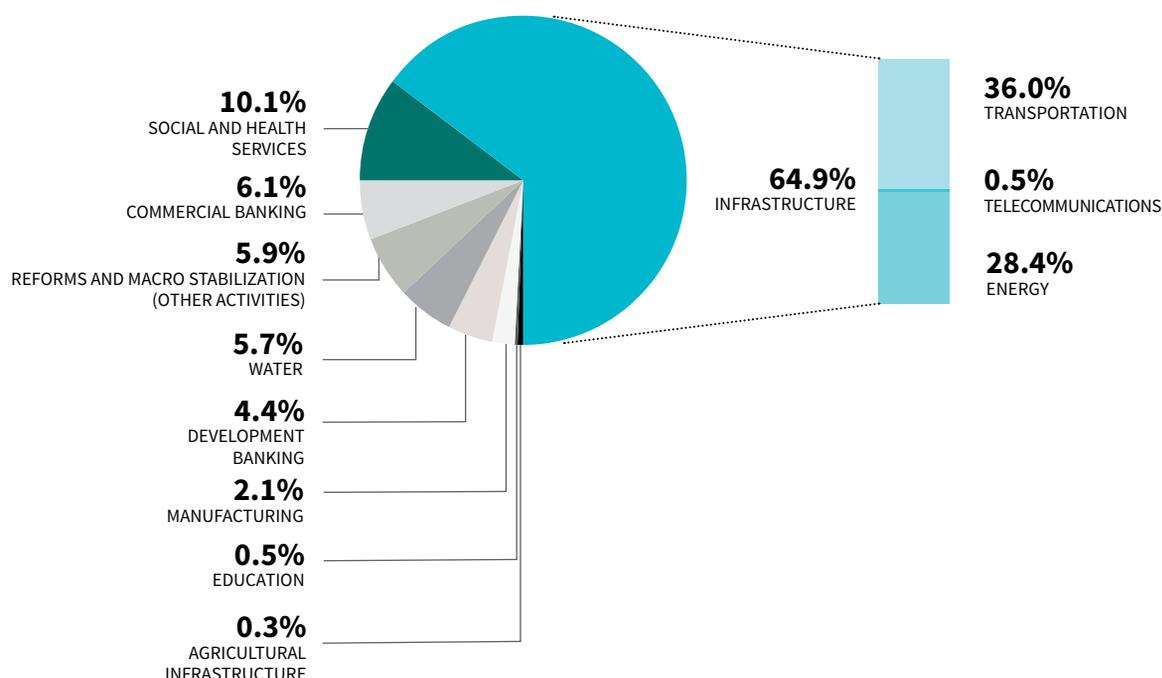
Portfolio by economic sector

Regional efforts to contribute to the development of road and transport systems, power and water supply services have enabled CAF, over the years, to accumulate an expertise in technical assistance and knowledge that positions the institution as a leader of priority projects. Above all, these projects have benefited the most disadvantaged sectors of the population in Latin America and the Caribbean. In that regard, the institution affirmed its strategic interest in supporting fundamental areas for the sustainable development of the region's countries. This commitment led to a portfolio concentration at the end of 2014 of over 70% in transport, energy, water and telecommunications projects. Within these segments, transport with a USD 7 billion portfolio (36% of the total) and the energy supply which amounted to USD 5.5 billion (28.4% of total) stood out as leading sectors.

In order to continue supporting the development of social services that have a direct impact on improving the quality of life of the population, 10.6% of CAF's total portfolio was associated with loans to education, social and health services sectors, amounting to USD 2.1 billion.

Moreover, the portfolio oriented toward projects that promote the expansion of the productive and financial sector as a key mechanism for developing the economy of the countries in the region portfolio, was USD 2.5 billion, representing 12.6% of the total.

Finally, CAF continued devoting efforts to support shareholder countries implement reforms, improve domestic management and ensure macroeconomic stability. Therefore, the remaining 5.9% of the portfolio was allocated to these types of activities aligned with the corporate strategy that ratifies the institution's integral support as a development bank.

GRAPH 5 **PORTFOLIO BY ECONOMIC SECTOR**

Portfolio by term

90% of the loan portfolio is comprised of long-term transactions aimed at supporting major programs and projects with progressive implementation in economic infrastructure, regional integration and social development. Adding in medium-term financing of operations and capital expenditures brings up the share to 96% of the total portfolio.

In turn, the short-term portfolio aimed at boosting productive transformation, mainly through public and private banks in the region, accounts for the remaining 4%.

TABLE 10 **PORTFOLIO BY TERM** (IN MILLIONS OF USD)

	2010	2011	2012	2013	2014
Capital investments	95	112	147	228	292
Loans	13,783	14,981	16,355	18,003	19,144
Long-term loans	11,882	13,639	14,713	16,024	17,479
Medium-term loans	702	911	619	960	827
Short-term loans	1,199	431	1,024	1,019	838
Total portfolio	13,878	15,093	16,502	18,232	19,436



Portfolio by type of risk

Throughout 2014, CAF's internal sectoralization process —by which the business areas address the demands of sovereign risk and non-sovereign risk operations alike with greater integration—reached greater maturity and improved the prioritization of projects with larger impact on development, in addition to strengthening and expanding the sectoral technical support to funded programs and projects. Likewise, the maturity of the sectoralization process broadened the vision of the private sector's role from a development perspective aimed at boosting economic growth in areas such as energy, transportation and logistics.

Thus the non-sovereign portfolio represented 20.9% of the total portfolio. Different strategies were developed to support major non-sovereign guaranteed projects of public enterprises and development banks, which make it possible to address the need for countries for comprehensive support in all sectors of national development. CAF confirmed its primary strategic interest in supporting its shareholder countries from the sovereign sector through financing public investment projects. As a result, projects with sovereign guarantees represent 79.1% of portfolio, which reflects the institution's alignment with the national development plans in an effort to contribute to long-term projects that promote sustainable development.

TABLE 11 **PORTFOLIO BY TYPE OF RISK** (IN MILLIONS OF USD)

	2010	2011	2012	2013	2014
Sovereign	10,518	12,069	13,230	14,491	15,383
Non-sovereig	3,360	3,023	3,273	3,740	4,054
Total	13,878	15,093	16,502	18,232	19,436

CAF AFFIRMED ITS PRIMARY STRATEGIC INTEREST TO SUPPORT ITS SHAREHOLDER COUNTRIES FROM THE SOVEREIGN SECTOR THROUGH FINANCING PUBLIC INVESTMENT PROJECTS.

Cooperation funds

In 2014, CAF—using technical cooperation resources—continued to confer special attention on operations that drove added value actions and foster innovation, in order to complement the technical strength of the shareholder countries and contribute to regional integration and sustainable development in areas where countries' needs converge with CAF's priorities.

CAF has continued to implement technical cooperation using reimbursable and non-reimbursable modes for knowledge generation, capacity building, institutional strengthening, environmental conservation, social innovation, best practices, dissemination and promotion, water and sanitation, infrastructure, roadways and urban mobility, business strengthening, among others, reflecting its growing importance in the field of development.

The combination of financing resources—donors, the European Union's investment facility for Latin America grants to specific projects, funds from international agencies, public and private resources in various operations—has made it possible to prove the efficiency of operational management inasmuch technical cooperation is concerned and the catalytic effect on resources that CAF has for the region.

In March 2014, the Ordinary Shareholders' Meeting approved the consolidation of some special funds, in which the Technical Assistance Fund (FAT for its acronym in Spanish) was renamed the Technical Cooperation Fund (FCT, for its acronym in Spanish) absorbing the resources, rights and obligations of the Border Development and Integration Fund (COPIF, for its acronym in Spanish), the Promotion Fund for Sustainable Infrastructure (PROINFRA, for its acronym in Spanish), Special Fund for Bolivia (FEB, for its acronym in Spanish) and Special Fund for Ecuador (FEE, for its acronym in Spanish), as of January 1, 2014.

In 2014, technical cooperation operations were approved for USD 40 million.

CAF HAS CONTINUED TO IMPLEMENT TECHNICAL COOPERATION USING REIMBURSABLE AND NON-REIMBURSABLE MODES FOR KNOWLEDGE GENERATION, CAPACITY BUILDING, INSTITUTIONAL STRENGTHENING, ENVIRONMENTAL CONSERVATION, ETC.

Main cooperation funds

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

It concentrates most of the special sources of financing. Its mission is to support projects and programs in shareholder countries.

Approvals: USD 28.5 million.

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

Offers financial support for the implementation of high-impact innovative community projects with a productive component that target the most vulnerable social sectors.

Approvals: USD 3.2 million.

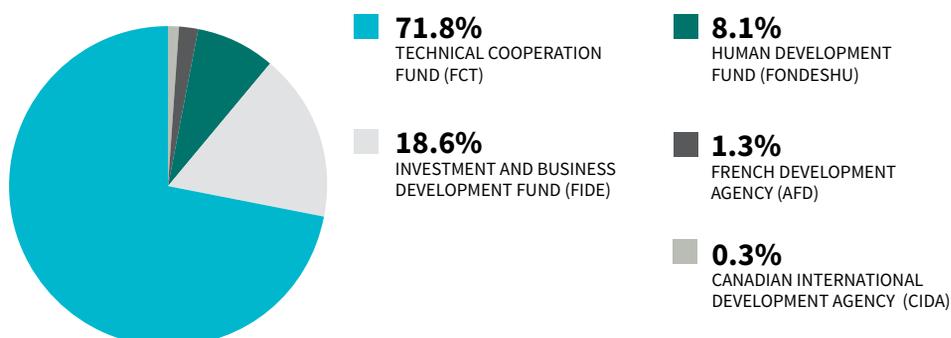
French Development Agency (AFD, for its acronym in French), Canadian International Development Agency (CIDA), General Fund of Italian Cooperation (FGCI, for its acronym in Italian), Latin American Investment Facility - LAIF (AFD-KfW Development Bank).

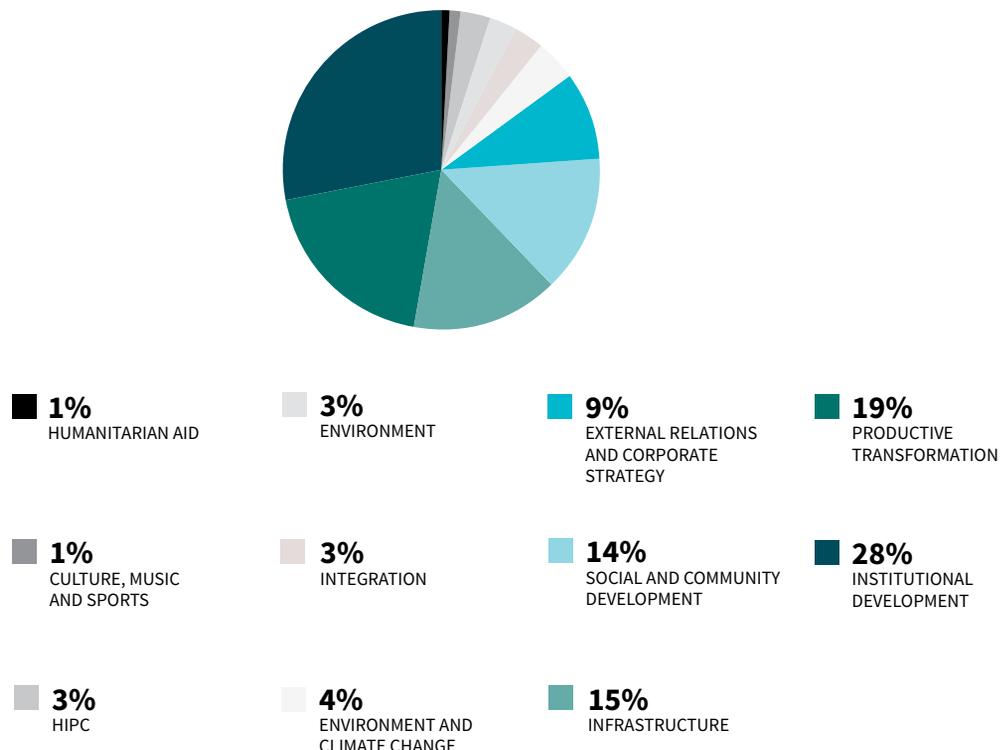
Financial sources with third-party resources to support the development of CAF's shareholder countries under their administration and for a specific purpose. AFD and CIDA's resources are intended to provide advisory services on projects in shareholder countries. The Ministry of Foreign Affairs of the Republic of Italy is the body responsible for granting non-objection of operations to be funded with FGCI resources; these funds are fully committed with operations executed.

CAF is the executing entity of LAIF resources, a mechanism of non-reimbursable financial contributions from the European Commission designed to support investment in Latin America.

Approvals: CIDA, USD 0.1 million; AFD, USD 0.5 million.

FIGURE 6 ORIGIN OF OPERATIONS WITH COOPERATION FUNDS



GRAPH 7 **COOPERATION FUND APPROVALS BY STRATEGIC AREA**

Special funds

CAF supports projects and initiatives through funds that are different in nature to those of cooperation funds. They include the Investment and Business Development Fund (FIDE, for its acronym in Spanish), the Compensatory Financing Fund (FFC, for its acronym in Spanish) and the Latin American Program on Climate Change (PLACC, for its acronym in Spanish).

Investment and Business Development Fund (FIDE)

FIDE has been a successful experience in supporting small and medium-size innovative companies in Latin America. This mission is accomplished primarily through equity investments in venture capital funds, which take equity stakes in companies, and investments in non-traditional financing access mechanisms.

The fund's investment strategy is to provide indirect financing to those competitive SMEs in the region with growth potential, especially those inserted or capable of being inserted into global production chains. It is worth mentioning that the impact of FIDE's operations goes beyond access to financing, since it has contributed significantly to the creation of a private equity and venture capital industry in the region, which, in turn, is an indispensable component in promoting entrepreneurship and business innovation.

In 2014, CAF approved three new operations for a total amount of USD 7.4 million through FIDE; these were mainly support operations for SMEs through investments in venture capital funds.

Compensatory Financing Fund (FFC, for its acronym in Spanish)

Through the FFC, CAF allocates resources to reduce the financial cost of the sovereign investment programs and projects by partially subsidizing the financial margin with which member countries access the institution's financing. All sovereign investment loans are eligible for the subsidy for eight years.

The fundamental objectives of the fund are to promote investment aimed at mitigating regional disparities and promoting the integration of regional infrastructure, all while prioritizing attention granted marginalized populations, in particular.

In 2014, 30 operations in nine different countries for a total amount of USD 2.5 billion were eligible for the FFC subsidy. Note that at year end, 42% of the portfolio was benefiting from this fund, which during 2014 contributed more than USD 61 million in subsidies to pay interest on the portfolio.

Latin American Climate Change Program (PLACC, for its acronym in Spanish)

In order to respond to the region's needs pertaining to climate change, PLACC pursues three strategic lines of action: mitigation of climate change, adaptation to climate change and carbon markets. During 2014, USD 0.7 million in PLACC resources were allocated to programs related to these lines of action.

These resources were used to develop policy instruments for the mitigation of greenhouse gases, which are covered by the Convention on Climate Change as follows: nationally appropriate mitigation actions (NAMA) in the sector of municipal solid waste in Argentina; NAMA for the refrigeration industry in Colombia; NAMA for energy efficiency on the demand side in Panama; NAMA power generation with biomass residues in Argentina. The CAF Mitigation Program was also drafted. It analyzes regional priorities on the subject and provides an indicative roadmap on what kind of activities to address. In addition, a workshop entitled Monitoring, Reporting and Verification of NAMA and mitigation policies was held in Mexico City in partnership with the German international cooperation agency GIZ.

Resources were also allocated to develop knowledge tools for adaptation to climate change, like the index of vulnerability to climate change in Latin American and Caribbean countries and major cities. Outreach workshops were developed for CAF's Adaptation to Climate Change Program between the governments of Central America and the Caribbean. With resources from the PLACC fund, CAF also participated as an organizer in the Latin American Carbon Forum, an event that brought together 650 participants from across the region to discuss key issues on the international agenda on climate change and the region's position on the subject. Additionally,



the PLACC fund supported CAF's deployment at the Conference of the Parties on Climate Change, with the organization of 12 parallel events which showcased CAF's progress in different areas.

In the same vein, the Performance Based Mechanism (PBC), corresponding to mechanisms that do not rely on the market of carbon credits from the Climate Change Convention, was implemented. Together with KfW and with LAIF resources, this sectoral model of mitigation was developed by which payments are granted for reduced emissions based on the performance of projects in the field of municipal solid waste management in Ecuador, for EUR 5 million. With LAIF resources and in partnership with KfW, sector studies were developed on cement and cogeneration in different Latin American countries, under which a portfolio was structured with 12-16 initiatives that are eligible for funding from CAF's different business areas.

Also worth mentioning is the Regional Collaboration Center initiative, an agreement between the Framework Convention on Climate Change (UNFCCC) and CAF to support the region in strengthening the Clean Development Mechanism (CDM) and building new climate change recommendations and policies. During 2014, with UNFCCC resources for USD 26,476 given CAF, a prospective market assessment of CDM projects was conducted and a proposal to the governing body of the CDM that some regulatory aspects be eased was put forward. Technical assistance was provided in the implementation of carbon tax in Mexico to use carbon credits (CER) and some niche markets in the region were identified. In regards of standardized baselines, technical assistance was provided in the areas of waste, energy, transport and bricks, mainly in Ecuador and Peru. Workshops were conducted in Ecuador, Panama and Mexico on paying with CER, SBs and CDM regulations and international negotiations.

In 2014 CAF qualified as Implementing Agency of the UNFCCC Adaptation Fund. In 2015, the institution expects to send the first developed projects under the fund's resources, in support of local adaptation initiatives in communities affected by the effects of climate variability. CAF's accreditation to the Global Environmental Fund (GEF) in the areas of fiduciary standard was supported.

WITH LAIF RESOURCES AND IN PARTNERSHIP WITH KfW, SECTOR STUDIES WERE DEVELOPED ON CEMENT AND COGENERATION IN DIFFERENT LATIN AMERICAN COUNTRIES.



Shareholder

C O U N T R I E S

Shareholder countries

Argentina
Bolivia
Brazil
Colombia
Ecuador
Panama
Paraguay
Peru
Uruguay
Venezuela

Other countries

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





ARGENTINA

IN 2014, CAF APPROVED USD 674 MILLION IN TRANSACTIONS FOR ARGENTINA, 71% (USD 481 MILLION) OF WHICH WERE SOVEREIGN RISK TRANSACTIONS AND 29% (USD 193 MILLION) NON-SOVEREIGN RISK.

CAF's sovereign-risk operations were aimed at providing ongoing technical and financial support to several sectors: electricity, logistics, water and sanitation, and education.

In the electricity sector, CAF approved USD 100 million for the electricity interconnection project ET Rincon Santa María-ET Resistencia, ensuring the continuity of the institution's financing support for the Federal Electricity Transport Plan, with 500 kV, bolstering the exchange of electric power with Brazil and Uruguay.

In the logistics sector, funds were approved for the project to refurbish access to Barranqueras Port. This project will transform and expand the facility's structural and operational capacity and improve the economic and social integration of Paraguay, Bolivia and Brazil, which share the same river basin.

In the matter of water and sanitation, CAF approved a USD 150 million loan for the construction of the Rio Colorado-Bahia Blanca aqueduct, aimed at supplementing and strengthening the current drinking water supply system in the city of Bahia Blanca and surrounding cities in the province of Buenos Aires. A comprehensive rehabilitation project for the Los Molinos-Cordoba canal to improve drinking and irrigation water coverage and service quality for the population living in the south of the city of Cordoba was also approved.

Similarly, in 2014 CAF approved two credit transactions for education infrastructure. The first, for USD 100 million, financed phase B of the second university infrastructure program to improve the quality of the national university system, and continue to take care of the rising demand for infrastructure and equipment across the country. The second transaction involved a USD 70 million credit for a program for the development of entrepreneurial capacity, which seeks productive transformation and technological business innovation in Argentina.

CAF's non-sovereign risk transactions in Argentina totaled USD 193 million for projects in several sectors and different companies. Credit facilities were approved for agro-industrial companies to pre-finance exports, aimed at supporting the agro-export sector with the involvement of the international banking industry. Finally, in regard to financial institutions, CAF continued to show its support for Argentine entities through its uninterrupted approval of credit facilities for USD 141 million.

ARGENTINA IN FIGURES (IN MILLIONS OF USD)

	2014	2010-2014
● Approvals	674	5,566
Sovereign risk	481	3,484
Non-sovereign risk	193	2,082
● Disbursements	560	2,555
Sovereign risk	408	1,880
Non-sovereign risk	152	675
● Portfolio	2,720	
Sovereign risk	2,419	
Non-sovereign risk	301	

APPROVALS IN ARGENTINA

ELECTRICITY INTERCONNECTION PROJECT FOR ET RINCÓN SANTA MARÍA- ET RESISTENCIA

Client/Executor: Argentine Republic / Secretariat of Energy (SE) of the Ministry of National Planning, Public Investment and Services, through the Administrative Committee of the Fiduciary Fund for National Electricity Transport (CAFFTEF, for its acronym in Spanish)

**TOTAL AMOUNT: USD 100 MILLION
TERM: 15 YEARS**

Objective: Framed within the guidelines of the Argentine government's energy policy, the main objective of the Rincón Santa María - Resistencia power interconnection project is to enhance the production and export of electrical energy by facilitating access of the Rincón Santa María substations to the provinces of Corrientes and Chaco in Northeastern Argentina (NEA) and the electricity grid in Brazil. The project is expected to lead to an improvement in the quality of life of the inhabitants of these provinces as a result of the improvements in the electricity supply and income generated from exports.

PROGRAM FOR THE DEVELOPMENT OF INFRASTRUCTURE TO PROMOTE ENTREPRENEURIAL CAPACITY

Client/Executor: Argentine Republic / Ministry of Science, Technology and Productive Innovation (MCTIP, for its acronym in Spanish)

**TOTAL AMOUNT: USD 70 MILLION
TERM: 12 YEARS**

Objective: Through the construction and provision of infrastructure, especially the "Zero + Infinity" building at the University of Buenos Aires, and the training of Argentine and Latin American human capital, in diverse areas like translational medicine and computer programming, the credit facility seeks to promote innovative business initiatives and projects for the development of advanced technologies at a national and

regional level. In turn, greater socio-economic development of the people who participate in this project is expected.

II PROGRAM FOR UNIVERSITY INFRASTRUCTURE, PHASE B

Client/Executor: Argentine Republic / Ministry of National Planning, Public Investment and Services (MPFIPS)

**TOTAL AMOUNT: USD 100 MILLION
TERM: 12 YEARS**

Objective: In order to benefit approximately 100,000 students from 60% of Argentina's national universities, approximately 30% of which come from the lowest socio-economic segments, this project seeks to support the national government by carrying out infrastructure works and improving their use in the national network of universities throughout the country. This project aims to expand and improve the coverage of public higher education.

PROJECT TO BUILD THE RIO COLORADO-BAHIA BLANCA AQUEDUCT- STAGE I

Client/Executor: Buenos Aires Province Government, with a guaranty from the Argentine Republic / Ministry of Economy and Finance of the Province of Buenos Aires, through the Under Secretariat of Coordination between state and international credit entities

**TOTAL AMOUNT: USD 150 MILLION
TERM: 12 YEARS**

Objective: This project aims to ensure reliable water supply to the population and industries in the city of Bahía Blanca and 11 surrounding towns in the province of Buenos Aires, with approximately 360,000 inhabitants. This project will construct a new water supply system that will extract untreated water from the Colorado River, located 120 km from the city, to complement and strengthen the current system.

PROJECT TO REFURBISH ACCESS TO BARRANQUERAS PORT

Client/Executor: Argentine Republic / Ministry of National Planning, Public Investment and Services

**TOTAL AMOUNT: USD 12 MILLION
TERM: 12 YEARS**

Objective: The project aims to transform Barranqueras Port into a multimodal cargo freight hub by expanding its structural and operational capacity. This project originated in the "Barranqueras Port Complex and Barranqueras stream waterfront master plan 2010-2020" launched in 2010. In this sense, the waterway's strategic role will achieve three goals: enhance economic and social integration for Paraguay, Bolivia and Brazil, the regions that share the basin; strengthen and encourage the coordination of productive chains along the axis; and, finally, improve the efficiency of the production system in the region and the quality of life of the population in the areas of influence. The port is integrated in the city of Barranqueras, which facilitates the various operations required by users.

PROJECT TO OVERHAUL LOS MOLINOS CANAL

Client/Executor: Argentine Republic / Investment and Financing Agency of Cordoba

**TOTAL AMOUNT: USD 49 MILLION
TERM: 12 YEARS**

Objective: In order to improve the coverage, reliability and flexibility of the supply of potable water and irrigation services for the population living in the southern part of the city of Cordoba and surrounding towns, this project involves the repair and overhaul of Los Molinos canal and an increase in its current transport capacity. Los Molinos canal transports untreated water along 60km from Los Molinos dam to the Bouwer water treatment plant and supplies water to approximately 470,000 inhabitants of the city of Cordoba (30% of the city's total population).

EQUITY INVESTMENT IN THE VENTURE CAPITAL FUND FONDO PYMAR L.P.- FIDE

Client: Fondo Pymar L.P.- FIDE

TOTAL AMOUNT: USD 1.4 MILLION
TERM: 7 YEARS

Objective: PYMAR Fund finances Argentine technology, Internet, software, medical equipment, clean technologies, value added food, and receptive tourism companies. Thanks to a diversified portfolio, this equity investment can help a wide range of Argentines to attain economic development.

UNCOMMITTED REVOLVING CREDIT LINE FOR MOLINOS RÍOS DE LA PLATA S.A.

Client: Molinos Ríos de la Plata S.A.

TOTAL AMOUNT: USD 30 MILLION
TERM: VARIOUS

Objective: Finance foreign trade transactions, working capital and investments in capital goods.

UNCOMMITTED REVOLVING CREDIT LINE FOR VICENTIN S.A.I.C.

Client: Vicentin S.A.I.C.

TOTAL AMOUNT: USD 20 MILLION
TERM: VARIOUS

Objective: A credit to support export operations performed by one of the largest oil processing companies in Argentina.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO DE GALICIA S.A.

Client: Banco de Galicia S.A.

TOTAL AMOUNT: USD 30 MILLION
TERM: VARIOUS

Objective: Finance foreign trade transactions, working capital and investments in capital goods.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO ITAU ARGENTINA S.A.

Client: Banco Argentina Itau S.A.

TOTAL AMOUNT: USD 10 MILLION
TERM: VARIOUS

Objective: Finance foreign trade transactions, working capital and investments in capital goods.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO DE LA PROVINCIA DE BUENOS AIRES S.A.

Client: Banco de la Provincia de Buenos Aires S.A.

TOTAL AMOUNT: USD 5 MILLION
TERM: VARIOUS

Objective: Support a broadening of the Supplier Financing Program of the Banco de la Provincia de Buenos Aires, and increased dissemination of financial services for development.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO SANTANDER RÍO S.A.

Client: Banco Santander Río S.A.

TOTAL AMOUNT: USD 35 MILLION
TERM: VARIOUS

Objective: Finance foreign trade transactions, working capital and investments in capital goods.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO SUPERVIELLE S.A.

Client: Banco Supervielle S.A.

TOTAL AMOUNT: USD 10 MILLION
TERM: VARIOUS

Objective: Finance foreign trade transactions, working capital and investments in capital goods.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO DE INVERSIÓN Y COMERCIO EXTERIOR-BICE

Client: Banco de Inversion y Comercio Exterior-BICE

TOTAL AMOUNT: USD 50 MILLION
TERM: VARIOUS

Objective: Finance foreign trade transactions, working capital and investments in capital goods.

SHORT-TERM UNCOMMITTED REVOLVING CREDIT LINE FOR FIE GRAN PODER S.A.

Client: FIE GRAN PODER S.A.

TOTAL AMOUNT: USD 1 MILLION
TERM: SEVERAL

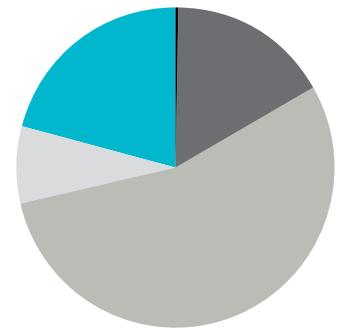
Objective: Finance foreign trade transactions, working capital and investments in capital goods.

OTHER TRANSACTIONS WITH COOPERATION FUNDS

Client: Several clients

TOTAL AMOUNT: USD 0.6 MILLION
TERM: VARIOUS

Approvals by strategic area during 2014



54.7%
ENVIRONMENTAL AND SOCIAL DEVELOPMENT

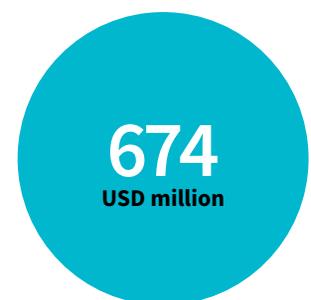
20.9%
FINANCIAL SYSTEMS AND CAPITAL MARKETS

16.6%
ECONOMIC INFRASTRUCTURE

7.6%
COMPETITIVENESS, PRODUCTIVE SECTOR AND MSMEs

0.3%
GOVERNANCE AND SOCIAL CAPITAL

Total approvals in Argentina during 2014



OTHER CONTRIBUTIONS TO SUSTAINABLE DEVELOPMENT IN ARGENTINA



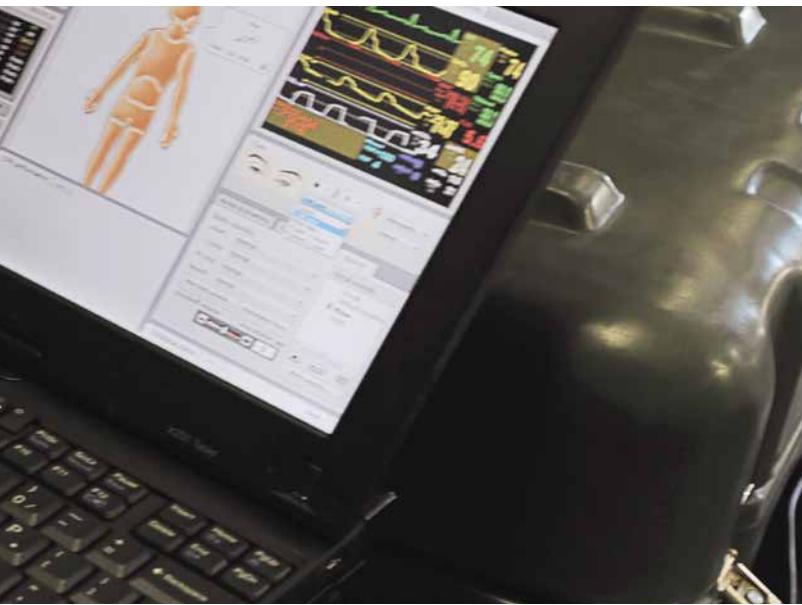
Driving governance, transparency and visualization of public data.

SOCIAL DEVELOPMENT

- Support for the evaluation of the impact of the First Step Program (PPP, for its acronym in Spanish), an initiative of the province of Cordoba aimed to promote the employability of young people 16-25 years of age through (publicly subsidized) internships in formal-sector companies. The knowledge derived from the assessment undertaken is a new asset for the region for the development of labor inclusion policies for vulnerable youth.
- Support for the third edition of DATAFEST, organized by the newspaper La Nacion and Austral University. The aim of this event was to promote openness and visualization of public data to generate greater transparency and better public policies in regional governments.

ENVIRONMENT

- Contribution to strengthening environmental policies aimed at mitigating the environmental impact associated with the development of infrastructure in Latin America.
- Support for the strengthening of the Argentine Network of Municipalities on Climate Change. The aim is to drive this initiative through training sessions for local officials and technicians in small and medium-sized municipalities, and the development and systematization of local action plans to address climate change and achieve greenhouse gas (GHG) emission reduction goals.
- Preparation and collaboration in designing a tool to estimate the “carbon footprint on two scenarios of Argentine corn sector,” in partnership with MAIZAR, a trade association which brings together corn and sorghum producers in the Argentine Republic.



GOVERNANCE

- 115 students from the Catholic University of Cordoba and 94 from the University of San Andres graduated from the 2014 edition of the Governance, Public Management and Policy Management program.
- Institutional strengthening of the Argentine National Library, with CAF's collaboration in the digitization project to preserve and promote the country's cultural and bibliographic heritage.
- The first Young Leaders Summit was held in the framework of the #JovenCAF program.
- In conjunction with the Ministry of National Security and the National University of San Martin, a seminar on "Local competencies for public safety, new challenges," was organized.
- An international seminar entitled "Public safety: the challenges for effective policies," was organized in partnership with the Woodrow Wilson Center, the Ministry of National Security and the Governor's Office of the Province of Salta.

0.6
USD million

Granted by CAF
to Argentina in
cooperation funds.



Improvements in the highway system with the La Paz- Oruro divided highway.

BOLIVIA

DURING 2014, CAF APPROVED USD 625 MILLION IN OPERATIONS FOR BOLIVIA, OF WHICH 81% (USD 508 MILLION) WERE FOR SOVEREIGN RISK OPERATIONS AND 19% (USD 117 MILLION) FOR NON-SOVEREIGN RISK AND FOR NON-REIMBURSABLE COOPERATION OPERATIONS.

Bolivia's ongoing efforts to develop its road system and finance highway construction is of great importance to the country, boosting domestic connectivity and with neighboring countries. In 2014, 69% of CAF's approved funds for the country (USD 433 million) was earmarked for road development projects, including the Epizana-Comarapa highway; the Diagonal Jaime Mendoza export corridor; the Y-intersection between Sucre, Santa Cruz and Cochabamba; and the Yucumo-San Borja and the Caracollo-Colquiri highway which connects one of the most important national mining nodes to the Pacific Ocean export corridor.

The social sector was the recipient of 12% of the approved budget with the financing of the "Mi Riego" irrigation program, which aims to expand irrigated agricultural land area, adding technical knowledge to traditional practices, as well as improve the efficiency of water distribution and use for agricultural and livestock production.

Bolivia also received funds from other external sources to finance the country's economic and social development. In 2014 the European Investment Bank granted USD 68 million in parallel financing for the Uyuni-Tupiza highway.

Furthermore, projects in the corporate, productive and financial sectors were beneficiaries of 18% of CAF's approved funds (USD 115 million). Of this amount, USD 19 million went to the corporate sector as working capital to finance agriculture.

The banking sector received USD 40 million for subordinated loans and lines of credit. The segment of financial entities specialized in credits for micro, small and medium businesses (MSMB) received a total of USD 36.5 million. The energy sector received USD 20 million for equity investments in infrastructure improvements for the Electric Rural Cooperative of Santa Cruz, which will facilitate an expansion of energy transmission and distribution coverage.

BOLIVIA IN FIGURES (IN MILLIONS OF USD)

	2014	2010-2014
● Total approvals	625	2,658
Sovereign risk	508	2,015
Non-sovereign risk	117	613
● Disbursements	322	1,502
Sovereign risk	276	1,292
Non-sovereign risk	46	210
● Portfolio	1,919	
Sovereign risk	1,772	
Non-sovereign risk	146	

APPROVALS IN BOLIVIA

OVERHAUL AND RECONSTRUCTION OF EPIZANA-COMARAPA SEGMENT ALONG F-07 HIGHWAY AND TORMO-ESPEJOS BRIDGE CONSTRUCTION PROJECTS

Client/Executor: Bolivia / Bolivian Highway Administration
TOTAL AMOUNT: USD 132.2 MILLION
TERM: 15 YEARS

Objective: The Bolivian government's National Development Plan, in addition to the 2010-2015 government program Bolivia Leading Country and the New Patriotic Agenda 2015, prioritizes the integration of the different departments throughout the country and border connections. For this reason, the rehabilitation and reconstruction of the Epizana-Comarapa highway has been designated as national strategic importance, since it includes the Cochabamba and Santa Cruz departments and is part of the East-West Bi-oceanic Corridor that connects Bolivia with Brazil, Chile and Peru. The Plan aims to improve the quality of life of the communities settled in its highly productive area of influence by improving vehicular traffic. In addition, it improves the transportation of agricultural and livestock to the processing plants and retail centers, which will help to diversify the source of income for benefited families, ensuring the region's sustainable development in the medium and long term.

PORVENIR-PUERTO RICO HIGHWAY PROJECT

Client/Executor: Bolivia / Bolivian Highway Administration
TOTAL AMOUNT: USD 62 MILLION
TERM: 15 YEARS

Objective: Drive the productive, commercial and touristic activity in the northern territory of the country, in particular in

the department of Pando, and integrate the region, connecting it to Brazil and Peru. This 320km section is included in the F-13 roadway of the Bolivian Primary Road Network and is the first highway section to connect the city of Cobija, Pando's capital, with the locality of El Choro. With this route, local communities will be able to take their agricultural products to the main markets in the area, thereby improving the regional economy and contributing to the development of the department of Pando.

MONTEAGUDO-MUYUPAMPA-IPATI HIGHWAY, INCAHUASI TUNNEL AND FISCULCO BRIDGE PROJECT

Client/Executor: Bolivia / Bolivian Highway Administration
TOTAL AMOUNT: USD 79.6 MILLION
TERM: 15 YEARS

Objective: Aims to strengthen the socio-economic development of the department of Chuquisaca through improvements to the land connection with Peru and Chile's Pacific Ocean ports, including the construction of the Fisculco Bridge and the Monteagudo-Muyupampa and Muyupampa-Ipati road sections, all part of the Diagonal Jaime Mendoza export corridor that connects Bolivia with the Pacific Ocean ports. It aims to develop the productive potential of the local agricultural sector and improve the quality of life of local communities, incorporating the affected area into the regional economy and, thus, fostering the security and opportunities necessary to commercialize their products in the main markets.

YUCUMO-SAN BORJA HIGHWAY PROJECT

Client/Executor: Bolivia / Bolivian Highway Administration
TOTAL AMOUNT: USD 62.9 MILLION
TERM: 15 YEARS

Objective: The improvement and construction of the Yucumo-San Borja highway aims to create an alternative for cargo and passenger transportation between the west of the country and the Amazonian department of Beni as well as drive production growth and bolster several productive

entrepreneurial ventures in its area of influence. As defined in the National Development Plan, the development and maintenance of the primary road network provides an essential support base to the productive sector, integrating it with domestic and external markets. This highway is part of Route F-03 of the Primary Road Network, which connects the departments of La Paz and Beni, as well as their most important city centers.

GRANADOS-LA PALIZADA HIGHWAY PROJECT

Client/Executor: Bolivia / Bolivian Highway Administration
TOTAL AMOUNT: USD 75 MILLION
TERM: 15 YEARS

Objective: The project, aligned with the national and regional development policy, includes the construction of 99 km of the Villa Granado - Taperas Bridge - La Palizada highway and aims to improve and increase the national road infrastructure while fostering the integration of three important Bolivian departments: Cochabamba, Chuquisaca and Santa Cruz. This project will complete the highway known as the "integration Y," which includes primary road Nr. 5 and primary road Nr. 23 and connects the three aforementioned departments.

CARACOLLO-COLQUIRI HIGHWAY PROJECT

Client/Executor: Bolivia / Bolivian Highway Administration
TOTAL AMOUNT: USD 21.3 MILLION
TERM: 15 YEARS

Objective: The project is part of the Bolivian government's National Development Plan, which defines the development and maintenance of the road network as critical policy for the productive sector's progress and domestic and international integration. The Caracollo-Colquiri highway is part of Route F-44, part of the Primary Road Network, connecting the departments of La Paz and Oruro and the settlements in between; in addition, the La Paz-Oruro and Caracollo-Colomi divided highways offer international connections. The aim is to foster the productive activity in the region, characterized mainly by the

mining, agricultural and livestock industries, and to integrate the areas of influence with the rest of the country, benefiting the region with improved access to health, education, communications and trade of goods and services.

MI RIEGO - INCREASED IRRIGATION INVESTMENT PROGRAM

Client/Executor: Bolivia, via the Ministry of Planning and Development / Ministry of Environment and Water
TOTAL AMOUNT: USD 75 MILLION
TERM: 15 YEARS

Objective: Provide a sustainable income boost to agricultural and livestock-dependent rural households located within the area of influence, through works to improve water distribution efficiency and an expansion of irrigated land area. Bolivia's expansion of technical irrigation is rooted in the premise of the constitutional right to water access and the government's promotion of local production.

EMPRESA HOTELERA ICON S.A. LONG-TERM LOAN / SANTA CRUZ MARRIOTT HOTEL

Client: Empresa Hotelera Icon S.A./Santa Cruz Marriott Hotel
TOTAL AMOUNT: USD 8.7 MILLION
TERM: 14 YEARS

Objective: In an effort to foster the economic development of Santa Cruz de la Sierra, finance the construction of a hotel targeting a business clientele segment operated by Marriott. The hotel infrastructure will make it possible to attract a larger number of business visitors, which in the medium and long term will contribute to the social and economic development of the families in this city, which is the source of 35% of the Bolivian gross domestic product (GDP) with many company headquarters and mining and agricultural operations.

UNION BANK S.A. UNCOMMITTED REVOLVING CREDIT LINE

Client: Banco Union S.A.
TOTAL AMOUNT: USD 10 MILLION
TERM: VARIOUS

Objective: Finance trade, working capital and investment projects for Bolivian micro and small businesses.

GANADEROS BANK UNCOMMITTED REVOLVING CREDIT LINE

Client: Banco Ganaderos S.A.
TOTAL AMOUNT: USD 10 MILLION
TERM: VARIOUS

Objective: Micro, small and medium businesses (MSMB) are the recipients of close to 75% of the loans granted by Banco Ganaderos, whereby the bank contributes to the social and economic development of Bolivia's system of production, in particular trade, livestock, industrial, services and agricultural sectors. This credit facility will bolster the growth of the bank's credit portfolio, strengthening a channel for MSM's to directly contribute to the country's development.

BISA BANK SUBORDINATED LOAN

Client: Banco Bisa S.A.
TOTAL AMOUNT: USD 20 MILLION
TERM: 8 YEARS

Objective: Bisa Bank aims to expand its reach to all the sectors of the economy, offering customized products and services. This loan aims to assist the financial institution in its contribution to the development of the Bolivian society and the large demographic range it encompasses.

JESUS NAZARENO COOPERATIVE UNCOMMITTED REVOLVING CREDIT LINE

Client: Cooperativa Jesús Nazareno Ltda.
TOTAL AMOUNT: USD 2 MILLION
TERM: VARIOUS

Objective: The Jesus Nazareno Cooperative is the largest savings and credit cooperative in Bolivia. It specializes in financing micro businesses in western Bolivia and in promoting the country's cooperative activity. This credit renewal aims to grant microcredits and consumption credits for clients with limited access to the banking and financial markets nationwide.

LOS ANDES PROCREDIT BANK UNCOMMITTED REVOLVING CREDIT LINE

Client: Banco Los Andes Procredit S.A.
TOTAL AMOUNT: USD 10 MILLION
TERM: VARIOUS

Objective: Finance trade, working capital and investment projects for micro and small Bolivian businesses.

SOLIDARIO BANK COMMITTED REVOLVING CREDIT LINE

Client: Banco Solidario S.A.
TOTAL AMOUNT: USD 6.5 MILLION
TERM: VARIOUS

Objective: Finance trade, working capital and investment projects for micro and small Bolivian businesses.

RURAL ELECTRIC CRE-COOPERATIVE CORPORATIVE LOAN

Client/Executing agency: Cooperative Rural de Electricidade
TOTAL AMOUNT: USD 20 MILLION
TERM: 8 YEARS

Objective: Connecting the isolated "Las Misiones" system with the National Interconnected System by financing the installation of a 163.09km (115kV) transmission line between Montero and Misiones, which will provide electricity services to settlements with very difficult access due the mountainous geography of the area. In addition, the Montero and Misiones substations will be constructed, allowing the electricity integration of three departments in the Chiquitania area, improving the social and economic conditions of the inhabitants of this western area of the country.

ADM SAO UNCOMMITTED REVOLVING CREDIT LINE

Client: ADM SAO S.A.
TOTAL AMOUNT: USD 10.5 MILLION
TERM: VARIOUS

Objective: Finance trade, working capital and investment projects.

FOSTERING OF ECONOMIC INICIATIVES BANK UNCOMMITTED REVOLVING CREDIT LINE

Client: Banco para el Fomento de las Iniciativas Económicas S.A.
TOTAL AMOUNT: USD 10 MILLION
TERM: VARIOUS

Objective: Finance trade, working capital and investment projects for economic entities from low-income segments with limited access to conventional lines of credit and in the production, service and commerce sectors.

CREDIT WITH RURAL EDUCATION CIVIL ASSOCIATION UNCOMMITTED REVOLVING CREDIT LINE

Client: CRECER S.A.
TOTAL AMOUNT: USD 3.5 MILLION
TERM: VARIOUS

Objective: Finance commercial activity, working capital and investment projects for micro and small businesses in Bolivia.

PYME BANK UNCOMMITTED REVOLVING CREDIT LINE

Client: Banco Pyme S.A.
TOTAL AMOUNT: USD 1.5 MILLION
TERM: VARIOUS

Objective: Finance commercial activity, working capital and investment projects for micro and small Bolivian businesses.

PRO WOMAN FUNDATION BANK UNCOMMITTED REVOLVING CREDIT LINE

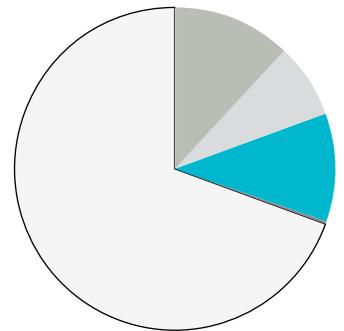
Client: Fundación Pro Mujer S.A.
TOTAL AMOUNT: USD 2 MILLION
TERM: VARIOUS

Objective: The Pro Woman Foundation is a model for community banking and a pioneer in the segment of loans for low-income women. The renovation of this credit line will allow the foundation to continue to finance micro and small businesses of less privileged sectors of society.

OTHER OPERATIONS WITH COOPERATIVE RESOURCES

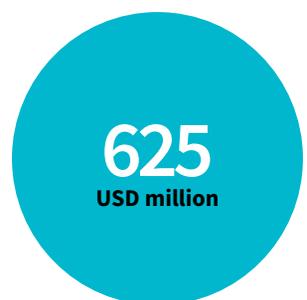
Client: Several clients
TOTAL AMOUNT: USD 2.6 MILLION
TERM: VARIOUS

Approvals per strategic area during 2014

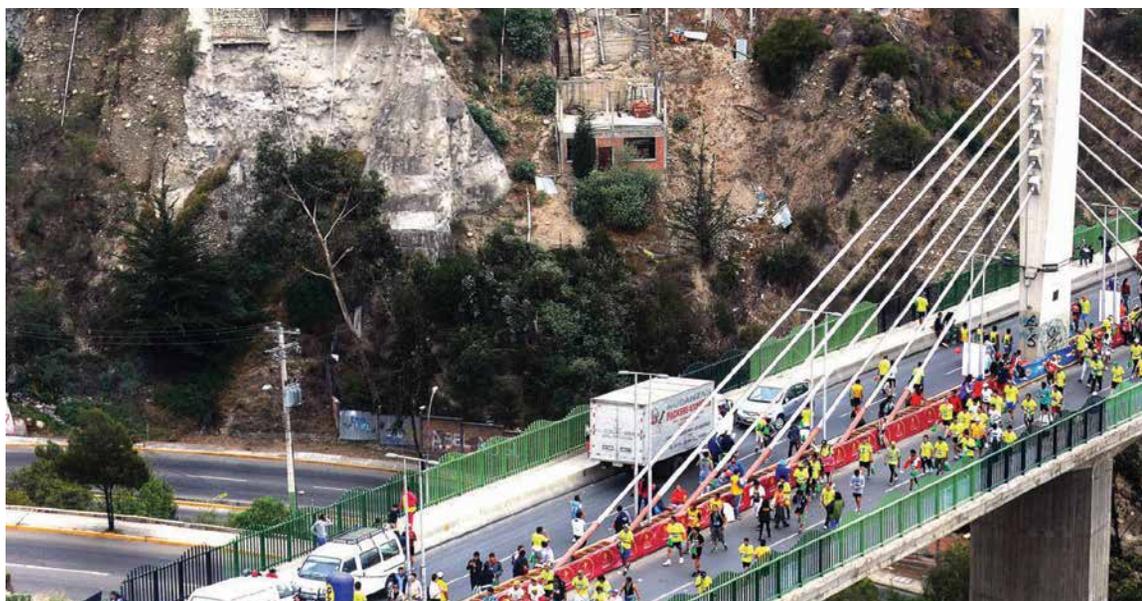


- 69.2%**
INTEGRATION INFRASTRUCTURE
- 12.0%**
SOCIAL AND ENVIRONMENTAL DEVELOPMENT
- 10.6%**
FINANCIAL SYSTEMS AND CAPITAL MARKETS
- 7.7%**
COMPETITIVENESS, PRODUCTIVE SECTOR AND MSMEs
- 0.4%**
GOVERNANCE AND SOCIAL CAPITAL

Total Approvals in Bolivia during 2014



OTHER CONTRIBUTIONS TO SUSTAINABLE DEVELOPMENT IN BOLIVIA



Massive participation in the La Paz 3600 10 k Race.

INFRASTRUCTURE

- Organized a workshop entitled “Designing safer highways” to share international safety best practices for highway design and construction with entities responsible for Bolivia’s road infrastructure.
- Financed research to strengthen competencies in Bolivia’s energy sector, including multiple reports in regard to the potential for hydro-electricity and one report on electricity interconnection with a focus on exports to neighboring countries. These reports were co-financed with resources from the OPEC cooperation Fund.
- Support for the implementation of “Puma Katari,” a modern, safe, reliable and sustainable urban transportation system in La Paz; a meeting with authorities from multiple Bolivian municipalities was held to discuss this experience.
- Development of a research study on “Infrastructure and Inclusive Growth in Bolivia.”

SOCIAL SUSTAINABILITY

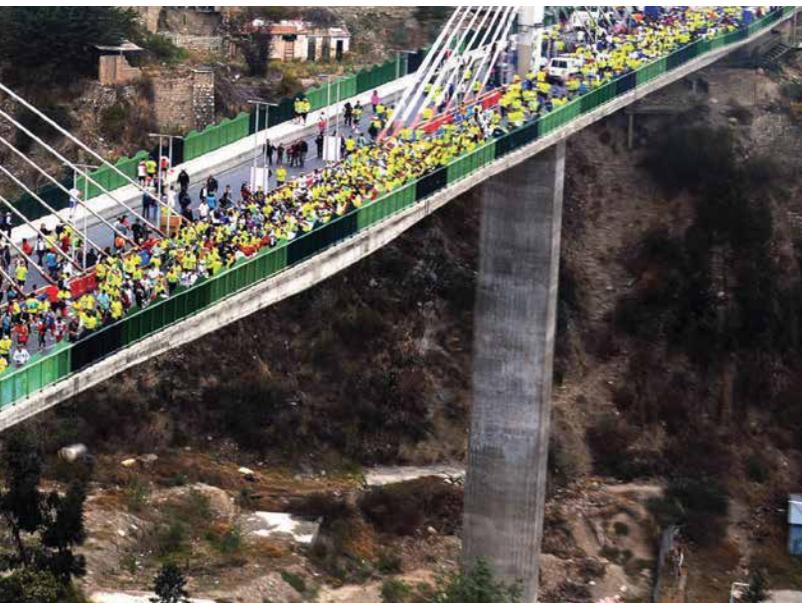
- Ten thousand runners participated in the La Paz 3600 10K Race to raise funds for children who suffer from congenital heart defects. The sixth consecutive edition of this sporting event was organized in collaboration with the Municipal Autonomous Government of La Paz.

SOCIAL DEVELOPMENT

- Hosting of a roundtable discussion on water resource management in Bolivia based on lessons learned from projects implemented by CAF in an effort to strengthen competencies, knowledge sharing and gathering support for the sector’s public policy.
- Opening of four culinary schools in El Alto for 700 low-income youths, aimed at helping them to generate work skills and improve the nutrition and food management quality of the population in the area.

ENVIRONMENT

- Continuation of the Fire-Free Amazon Program, which seeks to reduce wild fires in the Bolivian Amazon, based on the exchange of management experiences, mechanisms and strategies for prevention and fight against wildfires. The program also includes a training program and the creation of a database to identify wildfire hot spot data.
- Support for drawing up the carbon and water footprints for the city of Santa Cruz de la Sierra, continuing the city footprint project initiated in the city of La Paz. This regional initiative aims to support municipal mitigation and climate change adaptation strategies, by promoting activities at the municipal level for emission reduction (mitigation) and water management (adaptation).
- Support for the creation of the carbon footprint for the Bolivian stretch of the 2014 DAKAR rally. This novel initiative created awareness of the carbon footprint generated by the event’s activities and proposed a mechanism for compensation through the development of a high-efficiency solar kitchen construction program that benefited the communities of the Southwest Potosino.
- Support for the drafting of the Guidelines for Fieldwork in Environmental and Social Highway Projects, a systematic follow-up and monitoring procedure manual for roadway projects, which will provide mechanisms for conflict resolution according to the cultural characteristics of each of the distinct areas of the Bolivian territory.
- Support for the drafting of a management guide for water resources in mountain drainage basins affected by climate change. The document includes methodology, glaciological aspects and mechanisms for climate change adaptation, as well as regional social and cultural aspects.
- CAF’s collaboration with the production of “Planet Bolivia” and “Resource Earth,” two videos from a collection of six thought-provoking video productions aimed at creating a new environmental consciousness among society.



GOVERNANCE

- Training of 426 civil society leaders, based on a model of country and civic and democratic values within the framework of the tenth edition of the Leadership for Transformation Program, to encourage their participation in multiple strategic projects developed as a group to offer concrete and viable solutions to local issues.
- Training of 197 public administrators in the XIV edition of the Governance, Political Administration and Public Management Program. This initiative has a theoretical-practical approach to the generation of knowledge and the development of skills and abilities for the use of tools to conduct and manage processes for change, developing and strengthening the democratic values and governance.
- Support for the Bolivian Ministry of Foreign Relations to start up the new Diplomacy of the People Research Center and the “Live Well” Institutional Innovation Program.
- Support for the state-owned enterprises act by raising awareness about the legislation and the general guidelines for state-run business management in Bolivian government entities and involved institutions.

- Support for the consolidation program for the 2016 National Public Security Plan, the government’s main strategy for addressing crime, through research carried out in three different areas: (i) construction of full-service police stations in strategic locations; (ii) intervention in youth gangs, mainly to prevent violence, develop positive leadership and create jobs; (iii) implementation of a community police model.

COMPETITIVENESS

- Support for medium-size tourism businesses located in the Salar de Uyuni area, through a structured improvement process of their management systems, striving for excellence in the quality of services delivered, thus, contributing to a growth of the local economy as the axis of touristic development.
- Structuring of a strategy for the sustainable development of the salt mine tourism destination Salar de Uyuni-Lagunas de Colores for the vice-ministry of tourism, under the implementation of a program to foster tourism growth.
- Consolidation of an information and analysis platform, based on data from the Global

Entrepreneurship Monitor (GEM) –Bolivia, to measure entrepreneurial business activity during the different stages of a startup.

- Support for the development of knowledge, by co-hosting the sixth Bolivian Economic Development Conference in partnership with The Bolivian Academy for Economic Sciences, as well as presenting the sixth International Fiscal Association (IFA) – IFA BOLIVIA Latin American Regional Meeting held at the Private University of Santa Cruz (UPSA.)
- Alliance with Innova Bolivia to create the Masters in Entrepreneurship Development and Innovation to develop corporate management and innovation skills and promote an innovative environment in Bolivia, connecting universities, private companies, the public sector and society.

- Contribution to the National Chamber of Industry to draft a development proposal to identify mechanisms to promote the industrialization of resources, based on the consolidation of integrated economic regions, taking into account public and private sectors alike.

CULTURE

- Participation in the VIII Long Night of Museums, an event sponsored by the Autonomous Government of the Municipality of La Paz. CAF participated for the fifth consecutive year of this cultural event, aiming to promote cultural enrichment and exchange; CAF’s gallery venue, Artespacio, received more than 5,000 visitors.
- Support for the Pro Art and Culture Association during the production of

the X Misiones de Chiquitos International Baroque Music Festival, contributing to Santa Cruz de la Sierra’s cultural development and putting on display the rich musical and artistic patrimony of the multiple rural settlements of the Chiquitania region.

- Creation of a Virtual Museum to showcase pieces from CAF Artespacio exhibits in recent years, as a testimony of Bolivia’s rich fine arts.
- Production of the second annual youth orchestra competition, as part of the Music to Grow Program, which offers music education and a social inclusion platform, setting the stage for the creation of a Bolivian network of youth and juvenile orchestras.
- Support for Santa Cruz government strategy aimed at the reevaluation of the department’s cultural and touristic patrimony, through the distribution of the “Santa Cruz Must-Sees,” a printed publication highlighting, thought texts and images, the province’s most traditional and cherished spots.

2.6
USD million

Granted by CAF to Bolivia in cooperation funds.



Support for development and maintenance of Fortaleza's tourism infrastructure.

BRAZIL

DURING 2014, CAF APPROVED TRANSACTIONS FOR BRAZIL FOR A TOTAL OF USD 1.9 BILLION—25% (USD 470 MILLION) CORRESPONDED TO SOVEREIGN RISK OPERATIONS AND 75% (USD 1.4 BILLION) TO NON-SOVEREIGN RISK OPERATIONS—AIMED AT CONTRIBUTING TO THE STRENGTHENING OF THE COUNTRY'S FINANCIAL SYSTEM AND THE DEVELOPMENT OF INITIATIVES WITH A SOCIAL AND PRODUCTIVE IMPACT.

CAF approved a total of four sovereign risk operations for four different municipalities in Brazil. In the transport sector, three programs were approved aimed at improving urban mobility in local cities. In the city of Sorocaba, an Environmental Program of Roadway Optimization to carry out complementary works for a Bus Rapid Transit (BRT) system in the amount of USD 70 million was approved. In the city of Caxias do Sul, a Basic Services and Infrastructure Development Program for USD 50 million was approved to ensure safe and quick access to the city center from distant villages through the extension and improvement of rural transport infrastructure and urban roads. Additionally, this program includes components associated with the improvement of drinking water services. Finally, USD 100 million was approved for the municipality of Niterói to implement a Sustainable Oceanic Region—PRO Sustentable program, which seeks to reverse the region's environmental degradation through the implementation of a BRT system, including road reclassification, recovery of degraded areas and urban mobility improvements.

Moreover, with a comprehensive sectoral perspective, CAF granted the municipality of Fortaleza USD 250 million for tourism recovery and infrastructure expansion through a program that will allow urban rehabilitation of Fortaleza's historical center. The aim of the program is to promote tourism through the recovery of the city's public and historical areas, while increasing mobility and improving accessibility for the population.

In addition, CAF allocated USD 475 million directly to the corporate sector. Highlights include the corporate loan to finance the energy sector through a USD 200-million long-term loan to Petrobras for the construction of the Route 3 pipeline, which aims to transfer gas extracted in the pre-salt fields up to the Petrochemical Complex of Rio de Janeiro. Additionally, the institution supported the productive sector, with a corporate loan extended to the company Granol for USD 75 million to expand its production capacity. A credit line was granted to the construction company Norberto Odebrecht for USD 200 million.

In addition, CAF granted revolving credit lines for USD 950 million to the financial sector to fund transactions that promote renovation, expansion and modernization of the companies' productive capacity.

Finally, capital investments will take place throughout the year in an investment fund in the amount of USD 7 million.

BRASIL IN FIGURES (IN MILLIONS OF USD)

	2014	2010-2014
Approvals	1,903	9,818
Sovereign risk	470	2,605
Non-sovereign risk	1,433	7,213
Disbursements	728	5,778
Sovereign risk	435	1,228
Non-sovereign risk	293	4,550
Portfolio	1,972	
Sovereign risk	1,237	
Non-sovereign risk	735	

APPROVALS IN BRAZIL

PROGRAM TO RECOVER AND EXPAND THE TOURISM INFRASTRUCTURE AND INDUSTRY IN FORTALEZA-PROVATUR

Client / Executor: Municipality of Fortaleza / Secretariat of Tourism of Fortaleza – SETFO

TOTAL AMOUNT: USD 250 MILLION
TERM: 16 YEARS

Objective: Promote urban rehabilitation of the historical center of Fortaleza to develop sustainable tourism in the municipality in an integrated manner, restoring public and historical areas of the city, increasing mobility and accessibility, improving the socioeconomic conditions of the population and increasing public safety. The program includes activities such as integrated urban development, reconditioning of tourist facilities, productive transformation, institutional strengthening and public safety.

SUSTAINABLE OCEANIC REGION—PRO SUSTENTABLE PROGRAM, MUNICIPALITY OF NITERÓI

Client/ Executor: Municipality of Niterói/Vice Prefecture of Niterói

TOTAL AMOUNT: USD 100 MILLION
TERM: 12 YEARS

Objective: The program aims to reverse the environmental degradation of the Oceanic Region of Niterói through the reclassification of degraded areas, improvement of urban mobility, a reduction in the number of unsafe neighborhoods and increased welfare for the population in the area of influence. Likewise, it seeks to develop a new governance model that allows the establishment of an integrated management system of the different departments of the municipality and the active participation of the local population.

ENVIRONMENTAL AND ROADWAY OPTIMIZATION PROGRAM OF THE MUNICI- PALITY OF SOROCABA, STATE OF SAO PAULO

Client / Executor: Municipality of Sorocaba

TOTAL AMOUNT: USD 70 MILLION
TERM: 12 YEARS

Objective: In order to help improve the quality of life of Sorocaba's inhabitants by extending the city's urban infrastructure, this program includes a series of works designed to adapt the mobility solution to the growth of the city's population and local industry seen in recent years, and at the same time, adapt it for the next 20 years. The 16 works in the program have been prioritized under the city's Master Plan for Urban Transport and Mobility. Among these are three complementary initiatives to the implementation of the BRT system (Bus Rapid Transit) that the municipality undertook in 2014.

CAXIAS DO SUL II, BASIC SER- VICES AND INFRASTRUCTURE DEVELOPMENT PROGRAM

Client/ Executor: Municipality of Caxias do Sul / General Secretariat of Management and Finances of the Municipal Prefecture of Caxias do Sul

TOTAL AMOUNT: USD 50 MILLION
TERM: 16 YEARS

Objective: With the goal of improving the quality of life of the population of the municipality of Caxias through the expansion and improvement of rural and urban infrastructure, road transport and drinking water supply, this program involves paving nearly 70 km of roads to improve traffic in the municipality's rural areas, addressing traffic safety, reducing maintenance costs, lowering losses and increasing the quality of transported agricultural products. In addition, the program

includes the construction of two viaducts, bus routes and transfer stations. The aim is to improve the mobility and movement of the population and improve services supplying drinking water in urban areas through the replacement and expansion of connections and the construction of a reservoir of treated water.

CORPORATE LOAN FOR PETRÓLEO BRASILEIRO S.A.- PETROBRAS FOR THE CON- STRUCTION OF THE ROUTE 3 GAS PIPELINE

Client: Petrobras S.A.

TOTAL AMOUNT: USD 200 MILLION
TERM: 9 YEARS

Objective: This project aims to expand the existing infrastructure with the construction of a pipeline that will connect the pre-salt Santos Basin with the Rio de Janeiro Petrochemical Complex. The total length of the pipeline is 355km, 307km underwater and 48km on land. The pipeline will make it viable to use these pre-salt areas as energy resources to meet growing Brazilian demand, benefiting the population of the areas of influence with more and better supply.

LONG-TERM CORPORATE LOAN FOR GRANOL INDÚSTRIA, COMERCIO E EXPORTAÇÃO S.A.

Client: Granol Indústria, Comercio e Exportação S.A.

TOTAL AMOUNT: USD 75 MILLION
TERM: 10 YEARS

Objective: Granol is an agribusiness company in Brazil. This loan is aimed at financing the investment plan for the expansion and improvement of the company's industrial plants.

EQUITY INVESTMENT IN PRIVATE SECTOR (BRAZIL TOWER, CESSÃO DE INFRA ESTRUTURAS LTDA) VIA A SPECIAL PURPOSE VEHICLE (BRAZIL TOWER COMPANY L.P)

Client/Vehicle: Brazil Tower, Cessão de Infra Estruturas Ltda / Brazil Tower Company L.P.
TOTAL AMOUNT: USD 7 MILLION
TERM: 7 YEARS

Objective: Aimed at stimulating growth of the country's telecommunications sector in order to increase the supply of services, this investment promotes the construction and lease of telecommunications towers in Brazil. The areas of influence will perceive social and economic benefits as a result of the improvement and expansion of mobile phone networks and data transmission.

UNCOMMITTED REVOLVING CREDIT LINE FOR CONSTRUCTORA NORBERTO ODEBRECHT S.A.

Client: Constructora Norberto Odebrecht S.A.
TOTAL AMOUNT: USD 200 MILLION
TERM: VARIOUS

Objective: Support improved competitiveness of domestic service providers in Brazil's oil industry, including medium-sized companies working in Odebrecht's chain of operations.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO DE DESENVOLVIMENTO DE MINAS GERAIS S.A.

Client: Banco de Desenvolvimento de Minas Gerais S.A.
TOTAL AMOUNT: USD 100 MILLION
TERM: VARIOUS

Objective: Promote the renovation, expansion and modernization of the productive capacity of companies based in the state of Minas Gerais.

CREDIT LINE FOR BANCO BRADESCO S.A.

Client: Banco BRADESCO S.A.
TOTAL AMOUNT: USD 250 MILLION
TERM: VARIOUS

Objective: Foreign trade transactions, working capital and investments in capital goods.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO SANTANDER BANESPA

Client: Banco Santander BANESPA
TOTAL AMOUNTS: USD 200 MILLION
TERM: VARIOUS

Objective: Foreign trade transactions, working capital and investments in capital goods.

UNCOMMITTED REVOLVING CREDIT LINE TO BANCO ITAÚ UNIBANCO S. A.

Client: Banco Itaú Unibanco S. A.
TOTAL AMOUNT: USD 200 MILLION
TERM: VARIOUS

Objective: Industry promotion and development of competitiveness in high-impact sectors for national development.

UNCOMMITTED REVOLVING CREDIT LINE TO BANCO DO BRASIL S.A.

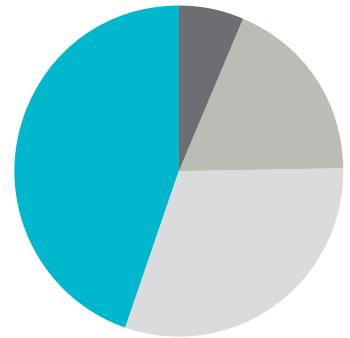
Client: Banco Do Brasil S.A.
TOTAL AMOUNT: USD 200 MILLION
TERM: VARIOUS

Objective: Industry promotion and development of competitiveness in high-impact sectors for national development.

OTHER TRANSACTIONS WITH COOPERATION RESOURCES

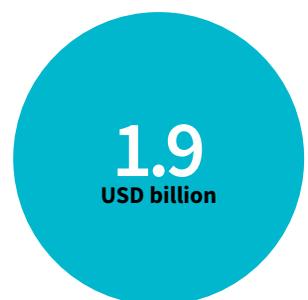
Client: Several clients
TOTAL AMOUNT: USD 1.2 MILLION
TERM: VARIOUS

Approvals by strategic area in 2014



- 44.7%**
FINANCIAL SYSTEMS AND CAPITAL MARKETS
- 30.6%**
COMPETITIVENESS, PRODUCTIVE SECTOR AND MSMEs
- 18.4%**
ENVIRONMENTAL AND SOCIAL DEVELOPMENT
- 6.3%**
ECONOMIC INFRASTRUCTURE
- 0.1%**
GOVERNANCE AND SOCIAL CAPITAL

Total approvals in Brazil during 2014



OTHER CONTRIBUTIONS TO SUSTAINABLE DEVELOPMENT IN BRAZIL



Urban improvements for the municipality of Manaus.

INTEGRATION

- Contribution made to the V International Seminar of Platinum America, organized by the Federal University of Dourados in Mato Grosso do Sul.

ENVIRONMENT AND SOCIAL DEVELOPMENT

- Support for the “Hemispheric Forum: 20 years fighting violence against women,” organized by the Secretariat of Policies for Women of the Presidency of the Republic.

- Support for the photography exhibit “Archivo Julio Cordero,” organized by the Ibero-American General Secretariat (SEGIB) at the Chamber of Deputies of Brazil.

- Support of the Ministry of the Environment to develop an environmental plan for the Tapajós region in Amazonia.

INSTITUTIONAL DEVELOPMENT AND GOVERNANCE

- Support for the institutional strengthening of the Prefecture of Niteroi to implement the Sustainable Oceanic Region–Pro Sustentable Program, which calls for the deployment of an integrated and sustainable Bus Rapid Transit system (BRT) in an effort to stop and revert the environmental degradation processes of the city’s oceanic areas. The program includes complementary actions through the improvement and implementation of urban and road infrastructure, park management and the renaturation of the Jacaré River. To carry out the Prefecture’s institutional strengthening, the municipal urban mobility plan will be updated, taking into account the planned actions under the Pro Sustentable Program; existing best practices in river renaturation projects will be identified; and an urban park management plan (PARNIT, for its acronym in Portuguese) will be drafted.

- Organizational support for the 2nd Regional Meeting of Think Tanks , organized by Fundación Getúlio Vargas.

- Urban planning and development training support for municipal public officials from the states of São Paulo, Minas Gerais and Espírito Santo, carried out in Singapore.

CULTURE

- Contribution to the production of a documentary about Jesuit Missions in Brazil and the region.



COMPETITIVENESS

- Support for a study on regional production chains, coordinated by the Institute of Applied Economic Research (IPEA, for its acronym in Portuguese).
- Contribution to the first international risk management week hosted by the Central Bank of Brazil (BACEN, for its acronym in Portuguese), with the participation of representatives from more than 12 countries in the region.
- Support for the implementation of the first stage of the program entitled “Innovation Dialogues” aimed at establishing a cooperation platform between managers and specialists in public innovation policies in Brazil and China.

SMES AND MICROFINANCES

- Support of the ABVCAP Congress 2014 aimed at encouraging new business development opportunities and facilitate the formation of strategic alliances.
- Support for the annual seminar of the Brazilian Association of Microcredit Societies (ABSCM, for its acronym in Portuguese).
- Contribution to the organization of the V Latin American Congress of Young Businesspeople with the goal of promoting the exchange of successful experiences among young people from Latin America.

COOPERATION AGREEMENTS

- Framework Cooperation Agreement with the Amazon Cooperation Treaty Organization (ACTO).
- Framework Cooperation Agreement with the Ministry of the Environment in Brazil.
- Framework Cooperation Agreement with the Prefecture of São Paulo.
- Framework Cooperation Agreement with the Brazilian Association of Finance Secretariats of the Capitals (ABRASF).

1.2
USD million

Granted by CAF
to Brazil in
cooperation funds.



Support for road and urban planning with the “Monteria Amable” project.

COLOMBIA

DURING 2014, CAF APPROVED USD 1.6 BILLION IN OPERATIONS—ENTIRELY NON-SOVEREIGN RISK TRANSACTIONS—FOR COLOMBIA, CONTRIBUTING TO THE IMPROVEMENT OF THE COUNTRY'S INFRASTRUCTURE AND FINANCIAL SYSTEM. THE NON-SOVEREIGN PUBLIC SECTOR ABSORBED 16% (USD 250 MILLION), WHEREAS THE PRIVATE SECTOR WAS THE RECIPIENT OF THE LION'S SHARE: USD 1.3 BILLION OR 84%.

Of all approvals in 2014, two important transactions targeted the Colombian infrastructure sector. The first one was a USD 50 million equity investment to create a Senior Debt Fund for Infrastructure in Colombia to co-finance infrastructure projects, for the road sector in particular. By supporting this fund, CAF became an important stakeholder in the ambitious project underway to modernize, transform and develop Colombian infrastructure. The second transaction was a USD 50 million equity investment in Financiera de Desarrollo Nacional (FDN), a financial entity engaged in infrastructure development promotion. With this investment, CAF helped FDN bolster its infrastructure project funding capacity. With these two operations, CAF ensured that its support is aligned with the national government priorities associated with building stronger transport, telecommunications and energy infrastructure.

Operations for the non-sovereign public sector included a USD 200 million credit line approved for Colombia's Foreign Trade Bank to support exports and programs for SMEs.

In addition, rotating credit lines for a total amount of USD 1.250 billion were approved for several financial entities to support high-impact initiatives aimed at financing foreign trade and working capital. These credit lines were also used as a project aid for some of these financial entities' clients.

Finally, CAF approved USD 2 million in technical assistance funds in support of country development plans.

COLOMBIA IN FIGURES (IN MILLIONS OF USD)

	2014	2010-2014
● Approvals	1,552	6,404
Sovereign risk	-	329
Non-sovereign risk	1,552	6,075
● Disbursements	1,081	6,520
Sovereign risk	14	506
Non-sovereign risk	1,067	6,013
● Portfolio	1,832	
Sovereign risk	843	
Non-sovereign risk	989	

APPROVALS IN COLOMBIA

EQUITY INVESTMENT TO SET UP AND PROMOTE A SPECIAL INFRASTRUCTURE FINANCING VEHICLE FOR COLOMBIA (VEFIC, for its acronym in Spanish)

Clients: Senior Debt Fund for Infrastructure in Colombia CAF–Ashmore / Senior Debt Fund for Infrastructure in Colombia’s Professional Manager CAF–Ashmore I

TOTAL AMOUNT: USD 50 MILLION
TERM: 25 YEARS

Objective: Set up a private capital fund to channel financial resources raised in senior debt transactions into infrastructure projects in an effort to develop Colombia’s infrastructure sector. The fund will address the demand for senior debt in the infrastructure sector— transport, energy, basic public utilities, hydrocarbon transport and telecommunications, including projects under a new fourth generation concessions program (4G), a core telecommunications initiative. Other projects include road, port, airport, railroad, river and energy infrastructure, areas of strategic importance for Colombia.

DIRECT EQUITY INVESTMENT IN FINANCIERA DE DESARROLLO NACIONAL S.A. (FDN)

Client: *Financiera de Desarrollo Nacional S.A.*

TOTAL AMOUNT: USD 50 MILLION
TERM: 6 TO 10 YEARS

Objective: Financiera de Desarrollo Nacional provides advisory services for the development and management of projects that help public sector entities generate necessary competencies and resources. FDN’s key goal is to create innovative financial instruments and open new capital markets to fund high-priority infrastructure projects.

UNCOMMITTED REVOLVING CREDIT LINE TO BANCO DE COMERCIO EXTERIOR DE COLOMBIA S.A. (BANCOLDX)

Client: *Banco de Comercio Exterior de Colombia S.A. (Bancoldex)*

TOTAL AMOUNT: USD 200 MILLION
TERM: VARIOUS

Objective: Fund foreign trade transactions, working capital and investments in capital goods.

UNCOMMITTED REVOLVING CREDIT LINE TO BANCOLOMBIA S.A.

Client: *Bancolombia S.A.*

TOTAL AMOUNT: USD 300 MILLION
TERM: VARIOUS

Objective: Fund foreign trade transactions, working capital and investments in capital goods.

UNCOMMITTED REVOLVING CREDIT LINE TO BANCOLOMBIA (PANAMÁ) S.A.

Client: *Bancolombia (Panamá) S.A.*

TOTAL AMOUNT: USD 50 MILLION
TERM: VARIOUS

Objective: Fund foreign trade transactions, working capital and investments in capital goods.

UNCOMMITTED REVOLVING CREDIT LINE TO BANCO DE BOGOTÁ S.A.

Client: *Banco de Bogotá S.A.*

TOTAL AMOUNT: USD 150 MILLION
TERM: VARIOUS

Objective: Strengthen the Latin American banking industry and develop a regional banking integration process by supporting regional actors.

UNCOMMITTED REVOLVING CREDIT LINE TO BANCO DE BOGOTÁ (PANAMÁ) S.A.

Client: *Banco de Bogotá (Panamá) S.A.*

TOTAL AMOUNT: USD 50 MILLION
TERM: VARIOUS

Objective: Fund foreign trade transactions, working capital and investments in capital goods.

UNCOMMITTED REVOLVING CREDIT LINE TO BANCO BBVA COLOMBIA S.A.

Client: Banco BBVA Colombia S.A.
TOTAL AMOUNT: USD 100 MILLION
TERM: VARIOUS

Objective: Fund foreign trade transactions, working capital and investments in capital goods. Issue and confirm letters of credit and bank guarantees.

UNCOMMITTED REVOLVING CREDIT LINE TO BANCO CORPBANCA COLOMBIA S.A.

Client: Banco Corpbanca Colombia S.A.
TOTAL AMOUNT: USD 50 MILLION
TERM: VARIOUS

Objective: Fund foreign trade transactions, working capital and investments in capital goods. Issue and confirm letters of credit and bank guarantees.

UNCOMMITTED REVOLVING CREDIT LINE FOR FINANCIERA DE DESARROLLO TERRITORIAL S.A. (FINDETER)

Client: Financiera de Desarrollo Territorial S.A. (Findeter)
TOTAL AMOUNT: USD 50 MILLION
TERM: VARIOUS

Objective: Fund foreign trade transactions, working capital and investments in capital goods.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO DAVIVIENDA S.A.

Client: Banco Davivienda S.A.
TOTAL AMOUNT: USD 100 MILLION
TERM: VARIOUS

Objective: Provide financial aid to the Andean and Central American region to fund foreign trade transactions and working capital.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO DE OCCIDENTE S.A.

Client: Banco de Occidente S.A.
TOTAL AMOUNT: USD 75 MILLION
TERM: VARIOUS

Objective: Fund foreign trade transactions, working capital and investments in capital goods.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO COLPATRIA MULTIBANCA S.A.

Client: Banco Colpatria Multibanca S.A.
TOTAL AMOUNT: USD 50 MILLION
TERM: VARIOUS

Objective: Fund foreign trade transactions, working capital and investments in capital goods.

UNCOMMITTED REVOLVING CREDIT LINE FOR LEASING PERÚ S.A.

Client: Leasing Perú S.A.
TOTAL AMOUNT: USD 25 MILLION
TERM: VARIOUS

Objective: Fund foreign trade transactions, working capital and investments in capital goods.

UNCOMMITTED REVOLVING CREDIT LINE FOR ECOPETROL S.A.

Client: Ecopetrol S.A.
TOTAL AMOUNT: USD 200 MILLION
TERM: VARIOUS

Objective: Fund investment projects, working capital and investments in capital goods in line with the company's business plan.

UNCOMMITTED REVOLVING CREDIT LINE FOR CONCRETO S.A.

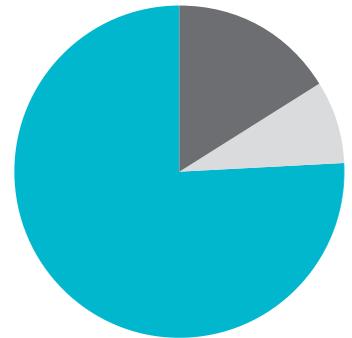
Client: Concreto S.A.
TOTAL AMOUNT: USD 50 MILLION
TERM: VARIOUS

Objective: Fund foreign trade transactions, working capital and investments in capital goods.

OTHER TRANSACTIONS WITH COOPERATION RESOURCES

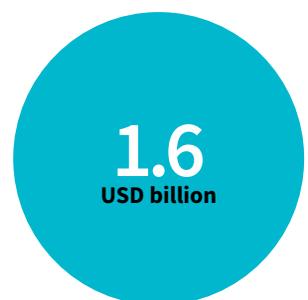
Client: Several clients
TOTAL AMOUNT: USD 2 MILLION
TERM: VARIOUS

Approvals by strategic area during 2014



- 75.7%**
FINANCIAL SYSTEMS AND CAPITAL MARKETS
- 16.1%**
ECONOMIC INFRASTRUCTURE
- 8.1%**
COMPETITIVENESS, PRODUCTIVE SECTOR AND MSMEs
- 0.1%**
GOVERNANCE AND SOCIAL CAPITAL

Total approvals in Colombia during 2014



OTHER CONTRIBUTIONS TO SUSTAINABLE DEVELOPMENT IN COLOMBIA



Promoting the competitiveness and development of the Colombian farming sector.

INFRASTRUCTURE

- Support for the Urban Development Institute (IDU, for its acronym in Spanish) to manage road maintenance in Bogota deploying an assessment of the current model, based on international experience and existing legislation. The aim is to seek new funding sources and implement innovative management systems, taking into account institutional, financial, technical, legal and fiscal aspects.
- Advisory services for the government of Colombia regarding the development of a long-term regional road network management policy with an institutional model.
- Support for the current planning process for the expansion of Colombian cities, taking Montería and Valledupar as pilot cases. The aim was to develop realistic projections, set up sufficient urban limits, build up a road network mesh and protect open public spaces.

- Assistance to the Colombian Infrastructure Chamber to identify public policy actions needed to boost the engineering industry focusing on strategies to drive growth; corporate strengthening; access to new knowledge areas; and specialization and incentives to invest in science, technology, research and innovation.
- Assistance for the organization of an infrastructure and energy project management workshop focusing on complex social, political and community environments to prevent or manage potential conflicts arising from difficult relations in the areas where CAF's clients implement infrastructure projects in Latin America.

SOCIAL DEVELOPMENT

- Support for the “Ariari laying the foundation for peace” initiative aimed at: (i) providing local government officials and community leaders with tools by training them in the implementation of national post-conflict policies; (ii) creating an inclusion space for youths, so they receive technical education through academic programs, accompanying them and their families under a skills development program to help them build a life project; (iii) build a Peace Model School for teachers, students and their parents to convert educational institutions in a space for instilling values, human rights and democracy, making schools epicenters of peace.



GOVERNANCE

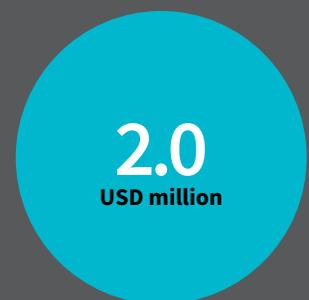
- Continuation of the governance, political management and public administration program, with close to 170 students enrolled, in partnership with the University of Rosario, a strong educational center in Bogota.

COMPETITIVENESS

- Support for Valle del Cauca productive projects. CAF's help was allocated to enhance the diversity and quality of farming competencies and assisting families to build up organizational skills to produce and sell. Training workshops fostered productive technical sustainability, while improving production quality and trade relations aimed at market diversification.

- Assistance to the Export Excellence program for businesses. The first phase, managed by CAF, involved program definition and development, while the second phase was spearheaded by Banco de Comercio Exterior de Colombia (BANCOLDEX), an entity committed to enhancing the development of beneficiary businesses and ensuring the program's sustainability.

- Workshops held with INNPULSA to bolster entrepreneurial projects and improve the competencies of businesspeople and institutions aimed at developing high-impact entrepreneurs in Colombia.



Granted by CAF to Colombia in cooperation funds.



ECUADOR

DURING 2014 CAF APPROVED USD 800 MILLION IN OPERATIONS FOR ECUADOR, OF WHICH 53% (USD 424 MILLION) WAS FOR SOVEREIGN RISK OPERATIONS AND 47% (USD 376 MILLION) FOR NON-SOVEREIGN RISK OPERATIONS FOR INITIATIVES OF HIGH SOCIAL AND PRODUCTIVE IMPACT, AND TO STRENGTHEN THE COUNTRY'S FINANCIAL SYSTEM.

Among the sovereign approvals, support was granted to the area of social development, with USD 176 million allocated for the Educational Infrastructure Program. Another USD 100 million were distributed to the energy sector through a program to strengthen Ecuador's national electricity distribution system. Additionally, USD 56.5 million were approved for a planning and sustainable development project for the urban center of the city of Loja, and USD 26.7 million went to the transport infrastructure sector for complimentary works for the Valley Integration Road Project, known as "Ruta Viva" (Living Route). Finally, a line of credit in support of national industry was approved for the state development bank Corporación Financiera Nacional (CFN) within the scope of its "Progresar" (Progress) Program. The program is designed to support and promote projects of small and medium-sized companies, part of an agenda to change the productive matrix.

In the non-sovereign sector, an A/B loan was approved in 2014 for up to USD 125 million, of which CAF contributed USD 40 million (tranche A) to partially finance Holcim Ecuador's estimated USD 255 million investment in a new clinker plant, aligned with the government's import-substitution strategy. The operation proved a catalyst for attracting an international bank (part B) to the deal with USD 85 million in financing.

In terms of power generation, CAF approved and distributed a total of USD 6.5 million in financing to Gransolar S.A. for the construction, installation and startup of two photovoltaic plants with an aggregate installed capacity of 3MW, part of an effort to change the energy matrix. The operation used the refinancing of a credit line for climate change and energy efficiency from KfW, a development bank that provided 50% of the amount approved by CAF for this transaction. In the field of energy efficiency, a USD 8 million operation was approved for Acería del Ecuador-ADELCA to replace a billet-reheating furnace that runs on a bunker-diesel mixture with a more efficient system that reduces the consumption of fossil fuels. The operation was also refinanced with KfW funds (USD 4 million).

In coordination with CAF's Financial Advisory area, a commitment letter was signed to support the Chilean company Ultramar-Agunsa in preparing a financial bid for the Manta Deep-Water Port concession project, a strategic initiative for the country that CAF may finance in the medium term. In addition, CAF signed a mandate with Hidroalto to provide the company with financial advisory services for the structuring and securing financing for the construction and subsequent operation of a 49.7 MW hydroelectric plant.

ECUADOR IN FIGURES (IN MILLIONS OF USD)

	2014	2010-2014
● Approvals	800	4,081
Sovereign risk	424	1,854
Non-sovereign risk	376	2,227
● Disbursements	637	3,322
Sovereign risk	363	2,013
Non-sovereign risk	274	1,308
● Portfolio	2,825	
Sovereign risk	2,684	
Non-sovereign risk	141	

APPROVALS IN ECUADOR

NEW EDUCATIONAL INFRASTRUCTURE PROGRAM

Client / Executor: Ecuador / Ministry of Education and, as the co-executing agency, the Department of Works Procurement

TOTAL AMOUNT: USD 176 MILLION
TERM: 12 YEARS

Objective: The inclusion of around 109,440 primary and secondary school students and their enrollment in Ecuador's modernized public education system is the primary goal of the New Educational Infrastructure Program. This target will be achieved by building 48 new Millennium Educational Units (EMU) across the country. At the same time, the EMUs will be equipped with the necessary equipment and furnishings to function properly. The plan is designed to widen the reach of public education to new sectors of the population so that they can receive an education in the medium and long term regardless of their social background or geographic location.

PROGRAM FOR STRENGTHENING THE NATIONAL ELECTRICITY DISTRIBUTION SYSTEM OF ECUADOR

Client / Executor: Ecuador / Ministry of Electricity and Renewable Energy
TOTAL AMOUNT: USD 100 MILLION
TERM: 15 YEARS

Objective: To ensure the availability of electricity to meet current and future demands in terms of quantity, quality and safety, this program seeks to upgrade the national distribution and transmission networks, ensuring that they are adequate for the country. It also is designed to build major projects for electricity generation, such as Coca Codo Sinclair, Paute-Sopladora, Minas-San Francisco, Toachi-Pilatón, Manduriacu, Quijos, Delsitanisagua, Sopladora and Mazar Dudas. This program will be structured within the 2013-2022 National Electricity Master Plan of the Ministry of

Electricity and Renewable Energy, which has estimated that power demand will grow by 8% per year, equivalent to 6,864 MW of capacity.

THE "PROGRESAR" (PROGRESS) PROGRAM TO CHANGE THE

PRODUCTIVE MATRIX

Client / Executor: Ecuador / Corporación Financiera Nacional (CFN)
TOTAL AMOUNT: USD 65 MILLION
TERM: 15 YEARS

Objective: Finance investments in fixed assets of companies in priority sectors and supply chains as part of the government of Ecuador's agenda to transform the productive matrix. The investments through credit facilities granted companies for promoting and/or supporting export growth as well as for the strategic substitution of imports, and to diversify value-added production. The aim is to develop the national productive sector in the medium and long term, bringing benefits to the population by increasing national productivity, which is of great importance for the region.

PROJECT FOR THE PLANNING AND SUSTAINABLE DEVELOPMENT OF THE URBAN CENTER OF THE CITY OF LOJA

Client / Executor: Municipal Government of Loja (GAD Loja) / (GAD Loja)

TOTAL AMOUNT: USD 56.5 MILLION
TERM: 12 YEARS

Objective: In order to improve the image and functioning of the city of Loja, especially the historic city center where most of the population and business are concentrated, this project aims to optimize a range of features of the downtown area. Investments will be made in public services such as potable water, sewage systems, the installation of an underground communications network, and the construction of a new power system. In turn, a plan of urban regeneration will be carried out, including traffic lights, pedestrian zones, parking lots, sidewalks and roadways. The project, aligned with the country's Plan of Good Living, will seek to spur the socio-economic development of the inhabitants of Loja in the

medium and long term through increased access to better services, as well as to promote national and international tourism by improving the city's image, helping to expand the number of merchants in the historic city center.

ADDITIONAL WORKS FOR THE "RUTA VIVA" INTEGRATION ROAD PROJECT

Clients / Executor: Metropolitan District of Quito (MDMQ) / Empresa Pública Metropolitana de Movilidad y Obras Públicas de Quito (EPMMOP)
TOTAL AMOUNT: USD 26.7 MILLION
TERM: 12 YEARS

Objective: With the aim of providing a road to access towns in the valleys of Tumbaco and Cumabayá for spurring their socio-economic development, and access to the New Quito International Airport (NAIQ), construction has begun on the so-called "Ruta Viva" (Living Route) in the Department of Pichincha. This road will facilitate the movement of passengers and cargo, allowing the development of the necessary conditions for economic expansion and wealth generation, and for enhancing economic, productive and labor development by creating job opportunities and improving the overall quality of life of the inhabitants of the Metropolitan District of Quito. By design, the aim is to produce minimal environmental impact as a result of the project's implementation in the area of influence, including the NAIQ and the Free-Trade Zone. Another goal is to reduce traffic congestion in surrounding areas, establish a fast-track connection between the Valley of Tumbaco and Quito, and distribute traffic along the interoceanic route.

A/B LOAN FOR HOLCIM ECUADOR S.A.

Client: Holcim Ecuador S.A.
TOTAL AMOUNT: USD 125 MILLION
TERM: TRANCHE A: 6 YEARS;
TRANCHE B: 5 YEARS

Objective: Support the construction sector in Ecuador, one of the sectors with the greatest potential and vitality, given the import substitution process underway which, as a result, will bring down the company's costs. The loan will also contribute to Ecuador's sustainable development and improved quality of life of its citizens, given that it will indirectly support infrastructure and housing projects.

CORPORATE LOAN FOR ACERIA DEL ECUADOR C.A. ADELCA

Client: Acería del Ecuador C.A. ADELCA
TOTAL AMOUNT: USD 8 MILLION
TERM: 5 YEARS

Objective: Finance the construction of a new plant to increase the domestic supply of national steel products.

LONG-TERM CORPORATE LOAN FOR GRANSOLAR S.A.

Client: Gransolar S.A.
TOTAL AMOUNT: USD 6.5 MILLION
TERM: 12 YEARS

Objective: A loan to partially finance the project to build, install and startup two photovoltaic plants with aggregate installed capacity of 3 MW, to be located in the Urcuquí Canton, Imbabura. This project will take advantage of the country's excellent geographical location for generating solar power thanks to the abundant solar irradiance in the area. The population will greatly benefit given that the project will supply growing energy demand in the northern part of the country through the connection of the photovoltaic plants to the electricity distribution network of the state company Emelnorste via the Alpachaca substation.

UNCOMMITTED REVOLVING CREDIT LINE FOR OTECEL S.A.

Client: OTECEL S.A.
TOTAL AMOUNT: USD 25 MILLION
TERM: VARIOUS

Objective: Finance foreign trade operations, working capital and investments in capital goods in a leading telecommunications company in Ecuador.

UNCOMMITTED REVOLVING CREDIT LINE FOR GRUPO DUFERCO CEC - IPAC S.A.

Client: IPAC S.A.
TOTAL AMOUNT: USD 20 MILLION
TERM: VARIOUS

Objective: Finance operations, working capital and capital investment for the companies that make up the group: IPAC S.A., IPACER, AGOFER S.A., Aceros y Techos S.A., Galvanizadora Peruana S.A. - GALPESA and Amazonia Trading.

UNCOMMITTED REVOLVING CREDIT LINE FOR PRONACA C.A.

Client: Pronaca C.A.
TOTAL AMOUNT: USD 10 MILLION
TERM: VARIOUS

Objective: Finance foreign trade operations, working capital and investment projects of micro, small and medium enterprises.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO PICHINCHA C.A.

Client: Banco Pichincha C.A.
TOTAL AMOUNT: USD 35 MILLION
TERM: VARIOUS

Objective: Finance foreign trade and working capital for the bank's clients.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO DE LA PRODUCCIÓN S.A. PRODUBANCO

Client: Banco de la Producción S.A. - Produbanco
TOTAL AMOUNT: USD 34 MILLION
TERM: VARIOUS

Objective: Finance foreign trade operations, working capital and investment projects of micro, small and medium enterprises.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO DE GUAYAQUIL S.A.

Client: Banco de Guayaquil S.A.
TOTAL AMOUNT: USD 30 MILLION
TERM: VARIOUS

Objective: Finance foreign trade operations, working capital and investment projects of micro, small and medium enterprises.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO BOLIVARIANO C.A.

Client: Banco Bolivariano C.A.
TOTAL AMOUNT: USD 25 MILLION
TERM: VARIOUS

Objective: Finance foreign trade operations, working capital and investment projects of micro, small and medium enterprises.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO INTERNACIONAL S.A.

Client: Banco Internacional S.A.
TOTAL AMOUNT: USD 25 MILLION
TERM: VARIOUS

Objective: Finance foreign trade operations, working capital and investment projects of micro, small and medium enterprises.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO PROCREDIT C.A.

Client: Banco Procredit C.A.
TOTAL AMOUNT: USD 15 MILLION
TERM: VARIOUS

Objective: Finance foreign trade and working capital for the bank's clients.

UNCOMMITTED REVOLVING CREDIT LINE FOR CORPORACIÓN DE DESARROLLO DE MERCADO SECUNDARIO DE HIPOTECAS - CTH

Client: Corporación de Desarrollo de Mercado Secundario de Hipotecas - CTH
TOTAL AMOUNT: USD 10 MILLION
TERM: VARIOUS

Objective: Finance the purchase of a portfolio of mortgage loans in order to finance the development of mechanisms to channel resources for housing and related infrastructure and begin the property deed process.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO GENERAL RUMIÑAHUI S.A.

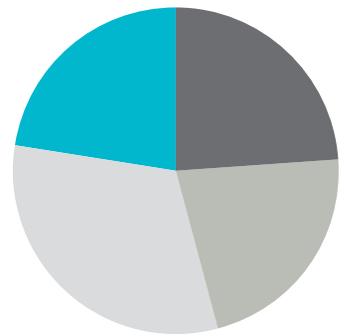
Client: Banco General Rumiñahui S.A.
TOTAL AMOUNT: USD 5 MILLION
TERM: VARIOUS

Objective: Support farmers and small companies cultivating African palm, and finance investments in irrigation systems for corn farmers.

OTHER OPERATIONS WITH COOPERATION RESOURCES

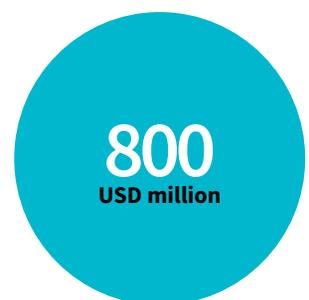
Client: Several clients
TOTAL AMOUNT: USD 2 MILLION
TERM: VARIOUS

Approvals by strategic area during 2014



- **31.6%**
COMPETITIVENESS, PRODUCTIVE SECTOR AND MSMEs
- **23.7%**
ECONOMIC INFRASTRUCTURE
- **22.4%**
FINANCIAL SYSTEMS AND CAPITAL MARKETS
- **22.0%**
SOCIAL AND ENVIRONMENTAL DEVELOPMENT
- **0.3%**
GOVERNANCE AND SOCIAL CAPITAL

Total approvals in Ecuador during 2014



OTHER CONTRIBUTIONS TO THE SUSTAINABLE DEVELOPMENT OF ECUADOR



Promoting the transport infrastructure sector with the “Ruta Viva” (Living Route) Valley Integration Road Project.

INFRASTRUCTURE

- Channeled resources through operations aimed at helping decentralized autonomous governments to structure the fare model of Quito’s metropolitan public transit system, as well as to analyze the international auction process and proposals for the civil works for the first metro line of Quito’s subway system.

SOCIAL DEVELOPMENT

- Support for the municipality of Guayaquil with studies and training events to develop preventive policies and measures to help prevent flooding in the port city. A comprehensive hydrological/hydrodynamic study of the Daule River and its confluence with the Babahoyo and Guayas rivers was completed.

SOCIAL SUSTAINABILITY

- Implementation of the Vital Program, which seeks to maximize the benefits of ICT with the timely and efficient provision of health services. The goal is to provide coverage to 20,000 people through the use of telemedicine funded through micro-insurance, in partnership with the San Francisco de Quito University, Freedom from Hunger and Banco Solidario in more than 20 health centers nationwide.

- Support to improve the efficiency levels of small farmers in the so-called “Ruta de Cacao” (Cocoa Route), and for the organization of the third Gastronomic Congress.

SMES AND MICROFINANCE

- Implementation of a model for liquidity relief, deposit insurance, resolution mechanisms and structuring of the code of good corporate governance for the Superintendency of Popular and Solidarity Economy.

- Approved grants for the institutional strengthening of the Superintendency of Companies, with a focus on reviewing and analyzing legal, institutional and market aspects of negotiable commercial invoices in Ecuador with the aim of spurring their development and marketability.

- Worked with Fundación Alternativa to organize the 2014 VIII International Summit of Microfinance Advisors.

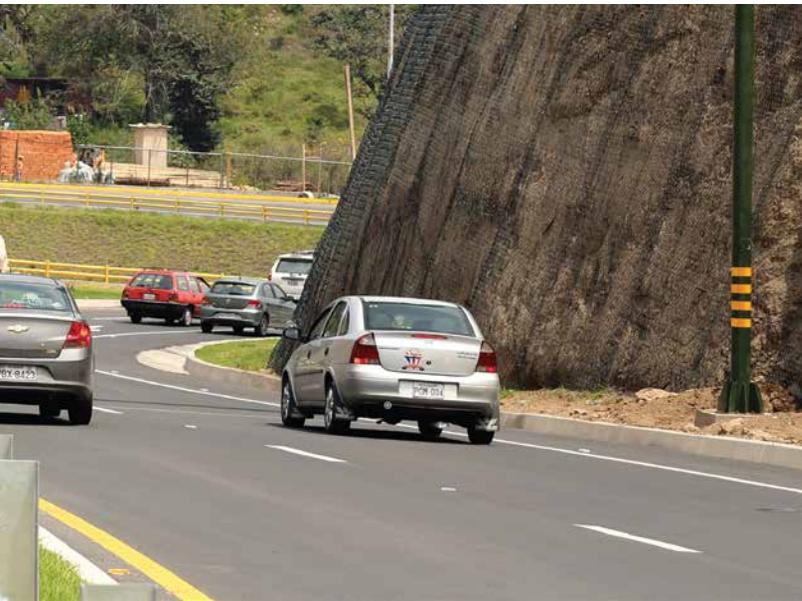
ENVIRONMENT

- Created a portfolio of projects for the Yasuni Conservation Program in partnership with the Undersecretariat of Natural Heritage of the Ministry of Environment.

- Studied the creation of a local economy based on sustainable forestry management and the production of high-value timber so that the communities of the Canandé-Esmeraldas River Basin can have an economic incentive to prevent the clearing of native forests.

- Launched the Program of Environmental and Social Management for Financial Institutions (PGASIF) in Ecuador during the Ecobanca forum as part of activities within the framework of the International Environmental Summit.

- Supported the Biotrade Forum through the initiative of the UNEP-GEF-CAF Project in partnership with Ecuador’s Ministry of Environment within the framework of the International Environmental Summit.



GOVERNANCE

- Signed an agreement with the Escuela Superior Politécnica del Litoral (Superior Polytechnic School of the Litoral) to implement the Program of Governance, Policy Management and Public Administration; more than 100 participants from different provinces have already completed the training.
- Signed an agreement with the Universidad Estatal de Cuenca (State University of Cuenca) to develop the Leadership for Change Program, in its eighth edition. More than 250 people participated in the program in strategic cities around the country.

COMPETITIVENESS

- With the credit granted to the Corporación Financiera Nacional (CFN) for financing its “Progress” Program for small, medium and large companies, a component was created for institutional strengthening. The aim was to improve internal processes for the approvals and monitoring of credits, incorporate environmental requirements, and develop non-financial services to strengthen businesses and potential customers.
- The competitive strengthening of supply chains in 2014 focused on industrial and export-oriented clusters, such as for home appliances and wood furniture in the region of Cuenca. These projects produced a significant impact by increasing the value of products and boosting exports.
- Continued implementation of the project with the government of Azuay Province for developing an ecosystem for innovation in construction, one of the sectors with the most competitive potential in the region. This initiative has made it possible to coordinate public, private and academic players in generating an innovation strategy to facilitate technology transfer and to target domestic and international markets.
- Continued implementation of the project to strengthen the national ecosystem of entrepreneurship and innovation. There was significant progress and achievements, such as the creation of an operating model for the Partnership for Entrepreneurship and Innovation, and the implementation of the Camp for Entrepreneurship and Innovation as part of the program for training entrepreneurs, innovators and government officials dedicated to supporting entrepreneurs. Another achievement was the successful call for proposals that lead to several innovations based on the real needs of the business sector.

2.0
USD million

Granted by CAF to Ecuador in cooperation funds.



Panama Canal Expansion Project.

PANAMA

DURING 2014, CAF APPROVED USD 299 MILLION IN OPERATIONS FOR PANAMA, OF WHICH 33% (USD 100 MILLION) WERE SOVEREIGN RISK TRANSACTIONS AND 67% (USD 199 MILLION) CORRESPONDED TO NON-SOVEREIGN RISK TRANSACTIONS FOR THE PROMOTION OF HIGH-IMPACT SOCIAL AND PRODUCTIVE INITIATIVES AND A STRENGTHENING OF THE COUNTRY'S FINANCIAL SYSTEM.

The approval of a USD 100 million loan for the national water and sewer system program (known as PAYSAN, for its acronym in Spanish) aims to improve the quality of life for more than 150,000 people in several provinces. The project includes the design, construction and upgrading of drinking water systems. By supporting this project, CAF reinforced its efforts to position the institution as a key stakeholder in the national government's ambitious project to provide the country's entire population with better drinking water and sanitation services.

Among the non-sovereign risk approvals, CAF's support for the energy sector included a USD 100 million corporate loan for the electricity transmission company Empresa de Transmisión Eléctrica de Panamá (ETESA, for its acronym in Spanish). The loan provided funding for investments under the Master Electricity Transmission System Expansion Plan 2014-2017 currently underway, contributing to an increase in the supply and quality of electricity services in several towns throughout the country.

A total of USD 89 million was approved for the financial sector and to support small and medium enterprises (SME) through credit lines. In addition, USD 10 million was invested in the insurance firm Aseguradora del Istmo, with the aim of supporting the growth of the insurance sector in Latin America.

PANAMÁ IN FIGURES (IN MILLIONS OF USD)

	2014	2010-2014
● Approvals	299	1,748
Sovereign risk	100	999
Non-sovereign risk	199	749
● Disbursements	420	1,202
Sovereign risk	125	736
Non-sovereign risk	295	466
● Portfolio	1,155	
Sovereign risk	779	
Non-sovereign risk	376	

APPROVALS IN PANAMA

PAYSAN—NATIONAL WATER AND SEWER SYSTEM PROGRAM

Client / Executor: Panama / National water and sanitation company (IDAAN, for its acronym in Spanish)

TOTAL AMOUNT: USD 100 MILLION
TERM: 16 YEARS

Objective: In an effort to improve the quality of life of local inhabitants in Chiriquí, Veraguas, Bocas del Toro and Panama with an overhaul of basic services, this project aims to design, build and upgrade drinking water and basic sanitation systems. A rise in the socio-economic development of the areas of influence is expected as a result of the better availability of drinking water, which will offset the increase in demand in these areas due to the continued population growth.

LONG-TERM BUSINESS LOAN FOR ELECTRICITY TRANSMISSION

COMPANY ETESA

Client: Empresa de Transmisión Eléctrica S.A. (ETESA, for its acronym in Spanish)

TOTAL AMOUNT: USD 100 MILLION
TERM: 15 YEARS

Objective: In order to provide partial funding of the investments included in Panama's Master Electricity Transmission System Expansion Plan 2014-2017 and contribute to greater supply and quality of electricity services for different towns throughout the country, CAF granted ETESA a corporate loan. The funding aims to eliminate current restrictions in the transmission system concerning the drivability of energy from hydroelectricity production centers to the higher consumption centers in peak demand scenarios; accompany the growth in demand estimated for the period 2014-2017; and improve the efficiency of the system through obligatory generation and tariff refunds in the event that investments are not made.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO LA HIPOTECARIA S.A.

Client: Banco La Hipotecaria S.A. (LHP) and subsidiary

TOTAL AMOUNT: USD 15 MILLION
TERM: VARIOUS

Objective: Finance the portfolio of Banco La Hipotecaria Panamá and its subsidiary La Hipotecaria Compañía de Financiamiento de Colombia; grant guarantees in favor of creditors who would finance its subsidiary in Colombia (guaranteed by La Hipotecaria Panamá). This line of credit will facilitate Panamanians' access to home ownership, which is a problem that affects a large percentage of the population due to the high property prices as a result of the exponential growth of the construction sector in the country added to the high demand for real estate.

CAPITAL INVESTMENT FOR ASEGURADORA DEL ISTMO S.A.

Client: Aseguradora del Istmo S.A.
TOTAL AMOUNT: USD 10 MILLION
TERM: 12 YEARS

Objective: Meet the company's need to strengthen its patrimony in order to continue growing in the region.

UNCOMMITTED REVOLVING CREDIT LINE FOR GLOBAL BANK CORPORATION S.A.

Client: Global Bank Corporation S.A.
TOTAL AMOUNT: USD 30 MILLION
TERM: VARIOUS

Objective: Finance foreign trade operations, working capital and investments in capital goods.

UNCOMMITTED REVOLVING CREDIT LINE FOR MULTI BANK S.A.

Client: Multi Bank S.A.
TOTAL AMOUNT: USD 30 MILLION
TERM: VARIOUS

Objective: Finance foreign trade operations, working capital and investments in capital goods.

UNCOMMITTED REVOLVING CREDIT LINE FOR CREDI CORP BANK S.A.

Client: Credi Corp Bank S.A.
TOTAL AMOUNT: USD 10 MILLION
TERM: VARIOUS

Objective: Finance foreign trade operations, working capital and investments in capital goods.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO DELTA S.A.

Client: Banco Delta S.A.
TOTAL AMOUNT: USD 2 MILLION
TERM: VARIOUS

Objective: Finance foreign trade operations, working capital and investments in capital goods.

UNCOMMITTED REVOLVING CREDIT LINE FOR MICROSERFIN S.A.

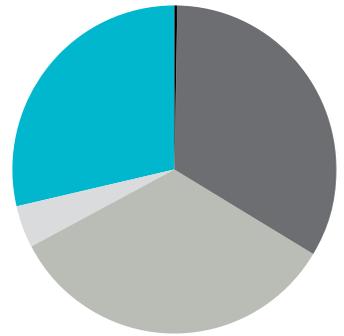
Client: Microserfin S.A.
TOTAL AMOUNT: USD 0.75 MILLION
TERM: VARIOUS

Objective: Finance foreign trade operations, working capital and investments in capital goods.

OTHER OPERATIONS WITH COOPERATION FUNDS

Client: Several clients
TOTAL AMOUNT: USD 1.1 MILLION
TERM: VARIOUS

Approvals by strategic area during 2014



33.5%
 ECONOMIC INFRASTRUCTURE

33.5%
 ENVIRONMENTAL AND SOCIAL DEVELOPMENT

28.4%
 FINANCIAL SYSTEMS AND CAPITAL MARKETS

4.3%
 COMPETITIVENESS, PRODUCTIVE SECTOR AND MSMEs

0.4%
 GOVERNANCE AND SOCIAL CAPITAL

Total approvals in Panama during 2014



OTHER CONTRIBUTIONS TO SUSTAINABLE DEVELOPMENT IN PANAMA



SOMOS: A network of sports practices for the development of Latin America.

INFRASTRUCTURE

- Support for the Maritime Authority of Panama for structuring a viable business model for Armuelles Port.

SOCIAL DEVELOPMENT

- Technical assistance to strengthen the national water and sanitation company (IDAAN, for its acronym in Spanish) and the implementing unit for programs of the National Environmental Authority (ANAM, for its acronym in Spanish).
- Support for the evaluation of Panamanian government initiatives and guidelines for structuring an water and sanitation investment plan with support from CAF.
- Support for pre-investment stage of projects that are part of national water and sewer system program (PAYSAN) financed by CAF.

SOCIAL SUSTAINABILITY

- Support for the program SOMOS, a network of sports practices for the development of Latin America, which promotes sports as a right and an effective tool for development and social inclusion of children and youth.
- Support for the youth and children's orchestra of the National Institute of Culture (INAC, for its acronym in Spanish), through workshops with Venezuelan teachers from the Simon Bolivar School of Music, as part of the Music for Growth Program.
- Contribution to the Natura Foundation for its coffee marketing project for the river basin area of the Ciri and Trinidad Rivers.

ENVIRONMENT

- Support for the not-for-profit organization Fundación Amador for the development of operational competencies in the Museum of Biodiversity (Biomuseo), by developing training manuals and guides addressing visitor services and technical content, equipment purchases and architectural drawings for the botanical garden.
- Contribution to the Ministry of Health for the creation and operation of the Mangrove Urban Park in Panama Bay, including drafts of management plans; environmental education; provision of ecophysiological equipment for monitoring carbon sequestration in the mangrove community; and institutional and operational guidelines for the park's sustainability in the medium and long term.



GOVERNANCE

- Strengthening of the Governance and Political Management Program, carried out in conjunction with the University of Panama since 2010 and in partnership with George Washington University. In 2014, 114 individuals were trained by the program.
- Support for the Leadership for Change Program carried out in partnership with the Catholic University of Santa María La Antigua (USMA), which executes lines of action to strengthen countries' governance through the training of natural leaders in civic and democratic values, national vision and value systems.
- Support for the workshop entitled Project Development to Promote Evaluability 2014, which was attended by officials from various executing agencies of programs and projects financed by CAF.

COMPETITIVENESS

- Support for the Chamber of Trade, Industries and Agriculture of Chiriquí for the creation of the Center for Competitiveness of Chiriquí and the Western Region.
- Contribution to the Chamber of Trade, Industries and Agriculture of Panama for the organization of its forum "Logistical challenges in Latin America for the World," carried out within the framework of the Panama Logistics Expo 2014.
- Support for the Ministry of Labor and Workforce Development for the project to define the "High Commission of Public Policy for Employment and vocational and technical jobs in Panama."
- Support for the IX Competitiveness Forum organized by the National Competitiveness Center; forum for discussion, analysis and consensus of Panamanian public and private sectors in an effort to identify the obstacles that limit the country's competitiveness and propose actions and a work plan to overcome them.

INSTITUTIONAL DEVELOPMENT

- Contribution made to the Ministry of Public Safety for the project "Consulting for the Design of a Master Plan for Comprehensive and Sustainable Development of the municipality of Barú 2040."
- Support for the institutional strengthening of the Ministry of Foreign Affairs.
- Assistance for the Ministry of Government to design an institutional management strengthening pilot program for the municipalities of Barú and David and a proposal to create a plan for Tierras Altas in the province of Chiriquí.



CAF's technical cooperation funds granted Panama



Project to improve local roads and bridges in rural areas.

PARAGUAY

DURING 2014, CAF APPROVED USD 181 MILLION IN OPERATIONS FOR PARAGUAY, OF WHICH 28% (USD 50 MILLION) WERE SOVEREIGN RISK TRANSACTIONS AND 72% (USD 131 MILLION) CORRESPONDED TO NON-SOVEREIGN RISK TRANSACTIONS.

The sovereign risk operation approved by CAF was a USD 50 million loan for the “Labor-intensive infrastructure project to upgrade roads and bridges in rural areas in the Eastern Region.” The approval aims to contribute to the creation of rural non-agricultural employment opportunities in support of affected communities socioeconomic growth and their access to social services based on better integration thanks to improved transit conditions along roads and at waterway crossings.

With respect to the non-sovereign sector, CAF approved a total of USD 131 million, of which 34% (USD 45 million) corresponded to direct operations aimed at agribusiness development and 65% (USD 85 million) financed efforts to strengthen the country’s financial system, with products such as revolving credit lines.

Additionally, USD 1.1 million was approved for non-reimbursable funds to fully support Paraguay’s development agenda through different sector-specific programs.

PARAGUAY IN FIGURES (IN MILLIONS OF USD)

	2014	2010-2014
● Approvals	181	956
Sovereign risk	50	547
Non-sovereign risk	131	409
● Disbursements	96	310
Sovereign risk	80	177
Non-sovereign risk	16	132
● Portfolio	249	
Sovereign risk	150	
Non-sovereign risk	99	

APPROVALS IN PARAGUAY

LABOR-INTENSIVE INFRASTRUCTURE PROJECT TO UPGRADE ROADS AND BRIDGES IN RURAL AREAS IN THE EASTERN REGION

Client / Executor: Paraguay / Ministry of Public Works and Communications (MOPC, for its acronym in Spanish)

TOTAL AMOUNT: USD 50 MILLION
TERM: 15 YEARS

Objective: Framed within the National Poverty Reduction Program "Sowing Opportunities," which seeks to improve the income and access to social services of Paraguayan families living in extreme poverty, this project aims to improve road infrastructure in rural areas of the Eastern Region of the country. It contributes to the integration of these communities through improvements in the transit conditions along roads and at waterway crossings. This project addresses two components of development: social by identifying and helping candidate families who will benefit from the project by forming part of the workforce; and the road transport through improved roadways and infrastructure in the area.

MEDIUM-TERM LOAN FOR AZUCARERA PARAGUAYA S.A. (AZPA)

Client: Azucarera Paraguaya S.A. (AZPA)
TOTAL AMOUNT: USD 20 MILLION
TERM: 5 YEARS

Objective: AZPA is the largest agribusiness company focused on the production and export of products derived from sugar cane in Paraguay. This loan seeks to finance exports of organic and conventional sugar and molasses, alcohol and byproducts. Financing will allow the company to invest and expand in the context of the agricultural growth underway in Paraguay.

UNCOMMITTED REVOLVING CREDIT LINE FOR LDC PARAGUAY S.A.

Client: LDC Paraguay S.A. (Louis Dreyfus Group)
TOTAL AMOUNT: USD 25 MILLION
TERM: VARIOUS

Objective: Finance exports of corn, wheat, soy, soy oil and its derivatives.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO CONTINENTAL S.A.E.C.A.

Client: Banco Continental S.A.E.C.A.
TOTAL AMOUNT: USD 25 MILLION
TERM: VARIOUS

Objective: Foster economic development through investment promotion, financing and lines of credit that can be obtained in the country or abroad.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO BILBAO VIZCAYA ARGENTARIA PARAGUAY-BBVA PARAGUAY

Client: Banco Bilbao Vizcaya Argentaria Paraguay-BBVA Paraguay
TOTAL AMOUNT: USD 15 MILLION
TERM: VARIOUS

Objective: Support BBVA Paraguay's strategy aimed at granting business loans to companies linked to the agriculture sector.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO ITAÚ PARAGUAY S.A.

Client: Banco Itaú Paraguay S.A.
TOTAL AMOUNT: USD 20 MILLION
TERM: VARIOUS

Objective: Finance different projects and investments aimed at the development of SMEs and consumption.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO REGIONAL S.A.E.C.A.

Client: Banco Regional S.A.E.C.A.
TOTAL AMOUNT: USD 20 MILLION
TERM: VARIOUS

Objective: Finance activities that support Paraguayan micro, small and medium companies (MSMEs).

UNCOMMITTED REVOLVING CREDIT LINE FOR VISIÓN BANCO S.A.E.C.A.

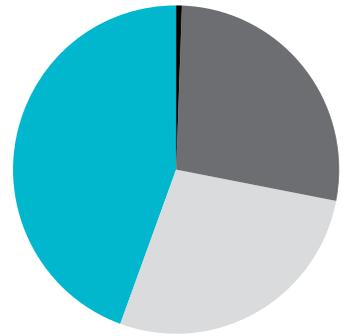
Client: Visión Banco S.A.E.C.A.
TOTAL AMOUNT: USD 5 MILLION
TERM: VARIOUS

Objective: Finance activities that support Paraguayan micro, small and medium companies (MSMEs).

OTHER OPERATIONS WITH COOPERATION FUNDS

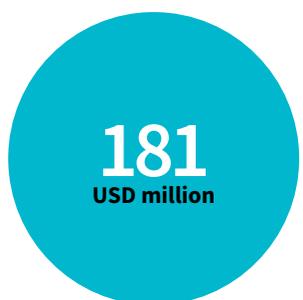
Client: Several clients
TOTAL AMOUNT: USD 1.1 MILLION
TERM: VARIOUS

Approvals by strategic area during 2014



- 44.2%**
FINANCIAL SYSTEMS AND CAPITAL MARKETS
- 27.6%**
ECONOMIC INFRASTRUCTURE
- 27.6%**
COMPETITIVENESS, PRODUCTIVE SECTOR AND MSMEs
- 0.6%**
GOVERNANCE AND SOCIAL CAPITAL

Total approvals in Paraguay during 2014



OTHER CONTRIBUTIONS TO SUSTAINABLE DEVELOPMENT IN PARAGUAY



Music for Growth program.

INFRASTRUCTURE

- Support for the Ministry of Public Works and Communications (MOPC, for its acronym in Spanish) with the preparation of road safety audit (ASV, for its acronym in Spanish) reports performed on the two final designs of network routes by the MOPC, under the existing loan for the program to improve the integration corridors and reconstruction of roadways.

SOCIAL DEVELOPMENT

- Humanitarian aid to Paraguay for flooding emergencies through donations to purchase basic supplies for the population and to support rescue logistics, which sought to overcome the emergencies caused by heavy rains in several departments: Alto Paraguay, Presidente Hayes, Central and Ñeembucú.
- Support for a program of the Organization of Ibero-American States (OEI, for its acronym in Spanish) called “Generating synergies to expand and improve preschool education,” aimed at addressing early childhood in a timely manner to improve care and enhance education in Paraguay’s border regions with Argentina and Brazil, and the departments of San Pedro and Caaguazú, where there are vulnerable populations, in order to make efforts to meet the Third General Goal of the OEI 2021 Educational Goals.

SMES AND MICROFINANCING

- Presentation of the SME Guarantee Fund Bill, an effort to circulate the bill for the creation of a new SME Guarantee Fund among intermediaries, banks, financial institutions, MSMEs and the government.
- Support for the Microfinance Network of Paraguay to carry out its “III National Microfinance Summit” for managers, supervisors, heads of areas, loan officers, consultants, promoters and personnel involved in the country’s credit business.



GOVERNANCE

- Institutional Support for the Government Center, in an effort to define development priorities, institutional coordination and timely formulation, implementation and monitoring of projects for the country.
- Strengthening of the Unit for Public-Private Partnership (PPP) projects to support the Ministry of Planning with the production of manuals and guidelines for the evaluation and structuring of infrastructure projects at a feasibility level, drafting of standard public tender documents and pro forma contracts to be used within the PPP framework.

- Collaboration for the promotion of good corporate governance practices in state-owned companies in Paraguay. The aim is to support the government of Paraguay, through the General Office of State-owned Enterprises in its efforts to improve the efficiency and performance of state-controlled enterprises through the adoption of principles of good corporate governance.

- Contribution to the creation and startup of the executing unit of the investment programs of the Ministry of Education and Culture of Paraguay. The support consists of defining the scope, roles, profiles, staff training and development of the necessary procedures for the establishment and implementation of the ministry's executing unit.

CULTURE

- Support of the local culture through the making of a documentary about Baroque music in Latin America, which will be recorded in Argentina, Bolivia, Brazil and Paraguay, in an effort to share local cultural traditions tied to the American Jesuit baroque values and to investigate and reflect on the meaning of music and its ability to transcend.



Granted by CAF
to Paraguay in
cooperation funds.



Driving urban mobility improvements with the construction of Line 2 and the Faucett - Gambetta Avenue section of the Basic Metro Network of Lima and Callao.

PERU

DURING 2014, CAF APPROVED OPERATIONS FOR PERU FOR A TOTAL OF USD 2.4 BILLION, OF WHICH 35% (USD 850 MILLION) CORRESPONDED TO SOVEREIGN RISK OPERATIONS AND 65% (USD 1.6 BILLION) TO NON-SOVEREIGN RISK OPERATIONS TO CONTRIBUTE TO THE STRENGTHENING OF PERU'S INFRASTRUCTURE AND FINANCIAL SYSTEM.

CAF approved a USD 150 million sovereign-risk loan to finance the construction of Line 2 and the Faucett-Gambetta Avenue section of the Basic Metro Network of Lima and Callao. The project will deploy a state-of-the-art mass transport system for the city, improving transport conditions for Lima residents. In addition, two contingent credit lines were renewed for a total amount of USD 700 million to cover financing needs in the event of a natural disaster or difficulties accessing international markets in a timely manner.

Among non-sovereign risk transactions, aimed to support high-impact social and productive initiatives, corporate and financial credit lines for a total of USD 1.4 billion were approved and renewed, including a USD 100 million line for Telefónica del Peru for the development and expansion of Peru's telecommunications services. Additionally, a USD 50 million credit line was approved for Tecnológica de Alimentos S.A. (TASA, for its acronym in Spanish), a company engaged in fishery activities, a national leading sector with a high productive potential. A line of credit for Cooperativa de Ahorro y Crédito ABACO was also approved in 2014 to fund farming activities and productive chains for rural micro and small companies in Peru.

PERU IN FIGURES (IN MILLIONS OF USD)

	2014	2010-2014
● Approvals	2,415	10,686
Sovereign risk	850	3,526
Non-sovereign risk	1,565	7,160
● Disbursements	525	6,343
Sovereign risk	12	1,219
Non-sovereign risk	513	5,124
● Portfolio	2,347	
Sovereign risk	1,665	
Non-sovereign risk	681	

APPROVALS IN PERU

CONSTRUCTION OF LINE 2 AND AV. FAUCETT-AV. GAMBETTA SECTOR FOR THE BASIC METRO NETWORK OF LIMA AND CALLAO

Client/Executor: Republic of Peru / Ministry of Transport and Communications (MTC, for its acronym in Spanish)

TOTAL MOUNT: USD 150 MILLION
TERM: 8 YEARS

Objective: In seeking to improve the mobility and accessibility of the population, the city's productivity and economic efficiency, transport optimization and job creation, a loan was approved to finance Line 2 of the Lima and Callao Metro Network and a connection branch line at Av. Faucett heading for the Jorge Chavez international airport. These projects are key to the city's public transport system and will connect 13 districts with the 27 metro stations. A connection between the Metropolitan Bus Rapid Transit System, the central station, Line 1 and future metro lines will also be enabled.

CONTINGENT CREDIT LINE

Client/Executor: Republic of Peru / Ministry of Economy and Finance
TOTAL MOUNT: USD 400 MILLION
TERM: VARIOUS

Objective: Support the public debt management strategy with a preventive financial instrument to provide Peru with financial resources in the event that the country cannot competitively access international capital markets.

CONTINGENT CREDIT LINE AS AN AID IN THE EVENT OF NATURAL DISASTERS

Client / Executor: Republic of Peru / Ministry of Economy and Finance
TOTAL AMOUNT: USD 300 MILLION
TERM: VARIOUS

Objective: Provide timely resources for prevention,

rehabilitation and reconstruction purposes in the event of potential losses due to damaged physical, natural and social assets, originating from emergency situations caused by natural phenomena in any part of the country. The readily available resources would ensure that Peru could provide victims with basic survival services for primary care, including accommodation, potable water supply, the rehabilitation of critical public utilities, reconstruction of works and the purchase of medication, equipment and instruments.

UNCOMMITTED REVOLVING CREDIT LINE TO CORPORACIÓN FINANCIERA DE DESARROLLO (COFIDE)

Client: Corporación Financiera de Desarrollo S.A.-COFIDE

TOTAL MOUNT: USD 350 MILLION
TERM: VARIOUS

Objective: Grant loans, sureties, rotating facilities for short-term transactions, and partial credit guarantees to secure the payment of medium and long-term loans.

CORPORATE LOAN TO TRES HERMANAS S.A.C. WIND FARM

Client: Parque Eólico Tres Hermanas S.A.C.

TOTAL AMOUNT: USD 14 MILLION
TERM: 18 YEARS

Objective: Aimed at ensuring a source of clean and renewable energy, this project includes the construction, operation and maintenance of a wind park on the Peruvian coast, in the Marcona District of the province of Nazca, in the department of Ica. Project development involves the start-up of 33 wind turbines (25 with a gross power of 3.15 MW and eight of 2.3 MW), and the commissioning of an output station on the 220kV side of the Marcona wind park substation that will connect with Tres Hermanas and send the stored power in the dispatch substation to the existing San Juan de Marcona substation. The project will generate an estimated 415 GWh of electricity per year.

BRIDGE LOAN TO MARCONA S.R.L. WIND FARM

Client: Parque Eólico Marcona S.R.L.

TOTAL AMOUNT: USD 6 MILLION
TERM: 17 YEARS

Objective: This project forms part of a renewable energy generation auction program signed by the Ministry of Energy and Mines and Marcona. The plan includes the start-up of 16 wind turbines with a gross power of about 2MW each, designed to supply energy to the national interconnected electricity system (SEIN, for its acronym in Spanish). This will benefit the population in the area of influence with 150 GWh of electricity per year from a renewable source of energy that will not contaminate the environment, thus supporting sustainable development in the region.

UNCOMMITTED REVOLVING SHORT-TERM CREDIT LINE TO TELEFÓNICA DEL PERÚ S.A.A.

Client: Telefónica del Perú S.A.A.

TOTAL AMOUNT: USD 100 MILLION
TERM: VARIOUS

Objective: Finance the second largest telecommunications company in Peru to help expand the national telecommunications sector. This project will help the population to access fixed and mobile telephony, satellite television and broadband Internet services, building blocks for the socioeconomic development of today's societies.

UNCOMMITTED REVOLVING CREDIT LINE TO PETRÓLEOS DEL PERÚ S.A. (PETROPERÚ)

Client: Petróleos del Perú S.A. - PETROPERÚ
TOTAL AMOUNT: USD 75 MILLION
TERM: VARIOUS

Objective: PETROPERÚ is the main national state-owned oil company in Peru. It provides transport, refinery and sale services for fuels and other petroleum by-products. The purpose of this credit line is to finance foreign trade transactions and working capital, including import documentary credits.

UNCOMMITTED REVOLVING CREDIT LINE TO GYM S.A. AND SUBSIDIARIES

Client: Gym S.A. and subsidiaries
TOTAL MOUNT: USD 75 MILLION
TERM: VARIOUS

Objetivo: Issue bank guarantees to cover Gym S.A. and its subsidiaries' payments due and grant bridge loans for early start-up of projects.

UNCOMMITTED REVOLVING CREDIT LINE FOR REFINERY LA PAMPILLA S.A.A.

Client: Refinería La Pampilla S.A.A.
TOTAL MOUNT: USD 50 MILLION
TERM: VARIOUS

Objective: Fund foreign trade transactions, working capital and investments in capital goods.

UNCOMMITTED REVOLVING CREDIT LINE FOR TECNOLÓGICA DE ALIMENTOS S.A. TASA

Client: Tecnológica de Alimentos S.A. TASA
TOTAL MOUNT: USD 50 MILLION
TERM: VARIOUS

Objective: Fund foreign trade transactions, short-term working capital.

UNCOMMITTED REVOLVING CREDIT LINE FOR CONSTRUCCIÓN Y ADMINISTRACIÓN S.A. (CASA)

Client: Construcción y Administración S.A., CASA
TOTAL AMOUNT: USD 40 MILLION
TERM: VARIOUS

Objective: Construcción y Administración S.A. is a Peruvian building company mainly engaged in road infrastructure projects. It has recently participated in sanitation, irrigation and concession operation works. This credit line seeks to help the development of these sectors in Peru.

UNCOMMITTED REVOLVING CREDIT LINE FOR COSAPI, S.A.

Client: Cosapi, S.A.
TOTAL AMOUNT: USD 25 MILLION
TERM: VARIOUS

Objective: Cosapi S.A., a Peruvian building company with an important market presence, has carried out large public and private infrastructure works. This credit line seeks to help develop Peru's building industry, which is critical to sustain the country's economic development achieved in recent years.

UNCOMMITTED REVOLVING CREDIT LINE FOR MOTA ENGIL PERÚ S.A. AND SUBSIDIARIES

Client: Mota Engil Perú S.A. and subsidiaries
TOTAL AMOUNT: USD 25 MILLION
TERM: VARIOUS

Objective: Issue bank guarantees to cover payment obligations assumed by the company and its subsidiaries. Given that Mota Engil Perú carries out infrastructure projects across the country, this loan contributes to the development of this vital sector for Peruvian economy.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO DE CRÉDITO DEL PERÚ S.A.

Cliente: Banco de Crédito del Perú S.A.
TOTAL AMOUNT: USD 200 MILLION
TERM: VARIOUS

Objective: Fund foreign trade transactions, working capital and investments in capital goods.

UNCOMMITTED REVOLVING CREDIT LINE FOR BBVA CONTINENTAL S.A.

Client: BBVA Continental S.A.
TOTAL AMOUNT: USD 200 MILLION
TERM: VARIOUS

Objective: Fund foreign trade transactions, working capital and investments in capital goods.

UNCOMMITTED REVOLVING CREDIT LINE FOR SCOTIABANK PERÚ S.A.A.

Client: Scotiabank Perú S.A.A.
TOTAL AMOUNT: USD 200 MILLION
TERM: VARIOUS

Objective: Fund foreign trade transactions, working capital and investments in capital goods.

UNCOMMITTED REVOLVING CREDIT LINE FOR LOANS, BONDS AND SURETIES FOR INTERBANK

Client: Interbank
TOTAL AMOUNT: USD 75 MILLION
TERM: VARIOUS

Objetivo: Fund foreign trade transactions, working capital and investments in capital goods.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO INTERAMERICANO DE FINANZAS S.A.

Cliente: Banco Interamericano de Finanzas S.A.
TOTAL AMOUNT: USD 50 MILLION
TERM: VARIOUS

Objective: Fund foreign trade transactions, working capital and investments in capital goods.

UNCOMMITTED REVOLVING CREDIT LINE FOR EDYFICAR S.A. FINANCIAL COMPANY

Cliente: Financiera EDYFICAR S.A.
TOTAL AMOUNT: USD 15 MILLION
TERM: VARIOUS

Objective: Fund investment projects and working capital for the development of small and micro enterprises in Peru.

UNCOMMITTED REVOLVING CREDIT LINE FOR CONFIANZA S.A.A. FINANCIAL COMPANY

Client: Confianza S.A.A. financial company
TOTAL AMOUNT: USD 6 MILLION
TERM: VARIOUS

Objective: Fund investment projects and working capital for the development of small and micro enterprises in Peru.

UNCOMMITTED REVOLVING CREDIT LINE FOR COMPARTAMOS FINANCIERA S.A.

Client: Compartamos Financiera S.A.
TOTAL AMOUNT: USD 6 MILLION
TERM: VARIOUS

Objective: This company has historically granted working capital loans to SMEs in the trade, transport and manufacturing industries in Peru. In addition, since 2012 it has incorporated a solidary or group credit line for women called "Crédito Mujer," created to foster gender equality across the country.

UNCOMMITTED REVOLVING CREDIT LINE FOR COOPERATIVA DE AHORRO Y CRÉDITO ABACO

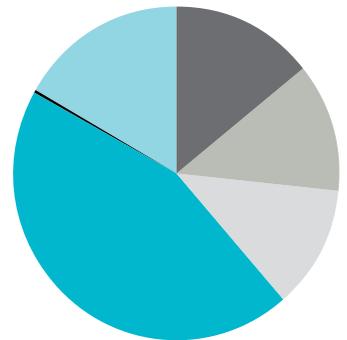
Client: Cooperativa de Ahorro y Crédito ABACO
TOTAL AMOUNT: USD 1.5 MILLION
TERM: VARIOUS

Objective: ABACO is a microfinance company engaged in financing farming activities and value chains in benefit of small farmers, and micro and small rural firms. It fosters the socioeconomic development process of the rural populations in Peru favored by this new credit line.

OTHER TRANSACTIONS WITH COOPERATION RESOURCES

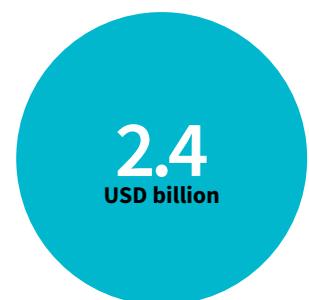
Client: Several clients
TOTAL AMOUNT: USD 1.4 MILLION
TERM: VARIOUS

Approvals by strategic area during 2014



- 44.5%** FINANCIAL SYSTEMS AND CAPITAL MARKETS
- 16.6%** MACROECONOMIC STABILITY
- 14.3%** ECONOMIC INFRASTRUCTURE
- 12.4%** ENVIRONMENTAL AND SOCIAL DEVELOPMENT
- 12.2%** COMPETITIVENESS, PRODUCTIVE SECTOR AND MSMEs
- 0.1%** GOVERNANCE AND SOCIAL CAPITAL

Total approvals in Peru during 2014



OTHER CONTRIBUTIONS TO SUSTAINABLE DEVELOPMENT IN PERU



Public safety situational and institutional assessment and agenda for the metropolitan area of Lima.

INFRASTRUCTURE

- Support for urban planning, infrastructure and environmental solutions training sessions attended by Peruvian government officials at the International Enterprise Singapore Board (IE Singapore), a government agency tied to Singapore's Ministry of Trade and Industry.

- Support for the Ministry of Economy and Finance to update and enlarge a preinvestment study for a project to expand and improve drinking water, sanitation and sewerage systems in Nueva Rinconada, in the San Juan de Miraflores and Villa María del Triunfo Districts.

- Support for the regional Arequipa government through the Majes Siguanas special project to draw up a report to monitor the economic feasibility of the second stage of the Majes Siguanas project as outlined in the national public investment system (SNIP, for its acronym in Spanish).

- Support for the Ministry of Housing, Construction and Sanitation to develop a proposal for the "Design of an urban system for the territory under the direct influence of the third stage of the Chavimochic

project." The aim of this proposal is to provide a sustainable response to the need for urban improvement and plan the development of new ministry divisions that can keep pace with the dynamic performance of stage III of the Chavimochic project.

SOCIAL SUSTAINABILITY

- Financial assistance to the Ministry of Health through PARSALUD II (for its acronym in Spanish), a program to support the health care sector reform, to fund the participation of Ministry of Health's representatives in the Telehealth Congress for the Americas 2014 organized by the National Center for Medical Technology Excellence in coordination with health care providers from the state of Nuevo León.

COMPETITIVENESS

- Support for the Peruvian Ministry of Production to update the regulatory and institutional framework of the fishing industry, particularly in regard to the two main fishing companies in Peru (Anchoveta and Pota).

SMES AND MICROFINANCE

- Support for the Peruvian Federation of Municipal Savings and Credit Accounts (FEPCMAC, for its acronym in Spanish) to implement basic and specific financial culture initiatives in Peru, especially for young people living in the area of influence of the municipal savings and credit account entities, focusing on the incorporation of future entrepreneurs to the banking system.

- Contribution to the consortium of private organizations promoting the development of micro and small enterprises (COPEME, for its acronym in Spanish) for the preparation, design, printing and distribution of the Peru microfinance report 2014-2016, a unique publication that every quarter analyzes key aspects of the microfinance industry development from an integral perspective.



GOVERNANCE

- Support for the Lima Stock Exchange to update validation parameters for the report on the good governance in Peruvian companies, which is a key element given that a new good governance code for Peruvian companies has just been implemented.
- Support for the Global Center for Development and Democracy to design and offer a second course on the prevention and management of socio-environmental conflicts in Latin America, designed to capitalize on the academic knowledge of international experts and the political expertise of the leaders of the Latin American Forum of Former Presidents.
- Program to publicize the Code for Good Corporate Governance for Peruvian companies. Greater knowledge and understanding of this code will contribute to the Peruvian business sector's increasing adherence to good corporate governance principles.
- Support to update the public safety situational and institutional assessment and agenda for the metropolitan area of Lima in view of the 2014 municipal elections. Under the banner "Unsafe cities in Lima: What should we do?", the project aims to enhance

electoral debate and provide the recently elected metropolitan and district municipal administrations with a renewed roadmap for the 2015-2018 term.

- Support for the "Regional Elections 2014: Strengthening Democracy" Economic and Social Research Consortium (CIES, for its acronym in Spanish) project, which seeks to promote higher-level debate during the elections for new regional governments in 2014. The focus is the availability of political options to enable regional governance strengthening by linking the academic sector, political parties and regional movements, with international cooperation, civil society leaders and mass media.

ENVIRONMENT

- Support for the Ministry of the Environment to strengthen negotiation competencies and during events related to the COP-20/CMP-10 meeting.
- Contribution to the International Festival of Music in the Heights in regard to the measurement, compensation and dissemination of the neutralization of greenhouse gas emissions. This innovative initiative supplements the activities planned in Lima for the COP20.
- Support for the Ministry of the Environment (MINAM) to fund the digital platform "Peruvian initiative biodiversity and businesses" seeking to strengthen the participation, communication and biodiversity knowledge management mechanism in cooperation with MINAM, micro to large enterprises and financial institutions.

1.4
USD million

Granted by CAF
to Peru in
cooperation funds.



50-MW Maciel Talas I wind farm.

URUGUAY

DURING 2014, CAF APPROVED OPERATIONS FOR URUGUAY FOR A TOTAL OF USD 754 MILLION, OF WHICH 59% (USD 445 MILLION) WERE SOVEREIGN RISK OPERATIONS AND 41% (USD 309 MILLION) WERE NON-SOVEREIGN RISK OPERATIONS, DESIGNED TO CONTRIBUTE TO INITIATIVES WITH A HIGH SOCIAL AND PRODUCTIVE IMPACT ON THE COUNTRY.

The sovereign risk approvals in Uruguay included a milestone transaction of USD 45 million: a loan granted to the railway logistics company Servicios Logísticos Ferroviarios (SELF, for its acronym in Spanish). The loan will help support the new company's efforts to upgrade rail freight transport through the purchase of rolling stock; locomotive repairs; wagon maintenance and upkeep; an overhaul of workshops and railway stations. SELF needs to focus all its efforts on the transformation required to become a cost-effective organization in the medium term, while implementing the necessary logistics solutions to improve the competitiveness of Uruguay's economy. The overall objective is to ensure that the company is prepared to provide logistics services in a market poised to undergo significant growth in demand. Moreover, the Uruguayan government requested the renewal of its CAF USD 400 million credit facility.

Non-sovereign risk approvals include a long-term loan for USD 94.5 million granted to the special purpose company Cadonal SA to build and operate the 50-MW Maciel Talas I wind farm. Equally significant is the approval of a long-term financing scheme of USD 58 million for the special purpose company ROUAR SA, to build and operate a 65-MW wind farm developed by UTE from Uruguay and Eletrobras from Brazil. The latter project, dubbed Rosendo Mendoza, falls under an agreement entitled "Assessment and Joint Development of Wind Farm Power Generation Installed in Uruguay," which the presidents of Brazil and Uruguay signed in 2012. The construction and start-up of both projects is part of the strategy designed to transform Uruguay's energy matrix to include renewable energy sources. Additionally, two lines of corporate financing for Cereoil and Teyma totaling USD 27 million were renewed to boost the country's productive sector.

URUGUAY IN FIGURES (IN MILLIONS OF USD)

	2014	2010-2014
Approvals	754	2,836
Sovereign risk	445	2,458
Non-sovereign risk	309	378
Disbursements	244	509
Sovereign risk	243	453
Non-sovereign risk	1	56
Portfolio	509	
Sovereign risk	464	
Non-sovereign risk	45	

APPROVALS IN URUGUAY

SERVICIOS LOGÍSTICOS FERROVIARIOS S.A.

Client: *Servicios Logísticos Ferroviarios S.A.*

TOTAL AMOUNT: USD 45 MILLION
TERM: 12 YEARS

Objective: Support the company's launch of operations; acquisition of rolling stock to address the projected demand.

FINANCING TO BUILD FACILITY FOR PERSONS DEPRIVED OF THEIR LIBERTY

Client: *Special purpose vehicle to be established in Uruguay*

TOTAL AMOUNT: USD 128.2 MILLION
TERM: 5.7 YEARS

Objective: In an effort to improve the living conditions of persons who have been deprived of their liberty in Uruguay, this project involves the construction and operation of a medium-security prison with the capacity for 2,000 male inmates in the neighborhood Punta de Rieles, in Montevideo. This transaction falls under a program of the Ministry of Interior and Justice spearheaded by Uruguay's executive branch to transform the national prison system, by expanding prison infrastructure within a scheme of public-private participation. This operation is the first initiative to be carried out in Uruguay under this scheme.

CONTINGENT CREDIT LINE (CCL)

Client/Executor: *Uruguay / Ministry of Economy and Finance*

TOTAL AMOUNT: USD 400 MILLION
TERM: VARIOUS

Objective: Support the public debt management strategy through a preventive financing instrument that will provide the country with financial resources in the event that it cannot access competitively international capital markets.

A/B LOAN FOR CADONAL SA

Client: *Cadonal S.A.*

TOTAL AMOUNT: USD 84.4 MILLION
TERM: 19.5 YEARS

SUBSIDIZED LOAN FOR CADONAL SA

Client: *Cadonal S.A.*

TOTAL AMOUNT: USD 10.1 MILLION
TERM: 19.5 YEARS

Objective: Finance the Talas Maciel II wind farm located in the Uruguayan department of Flores to meet the increasing domestic demand for energy which is expected to increase by 63% in the period 2014-2030. The loan is part of a package of interventions designed to promote the sustainable diversification of the energy matrix. Today only 2% of domestic production comes from wind sources. With a

production capacity of 50MW, the project will benefit the socio-economic development of the department's 25,000 inhabitants as well as the rest of the country. The project will increase the power supply while putting into practice environmental improvement policies.

UNCOMMITTED SHORT- TERM CREDIT LINE FOR CEREOIL URUGUAY SA

Client: *Cereoil Uruguay S.A.*

TOTAL AMOUNT: USD 15 MILLION
TERM: VARIOUS

Objective: Further support agroindustrial activity in Uruguay through local and international banks. This will also help to grow production and exports of major Uruguayan companies in the agro-foods sector.

UNCOMMITTED SHORT-TERM CREDIT LINE FOR TEYMA URUGUAY SA

Client: Teyma Uruguay S.A.
TOTAL AMOUNT: USD 12 MILLION
TERM: VARIOUS

Objective: Promote good environmental practices and sustainability in the private sector through Teyma, a key actor in the implementation of innovative solutions for sustainable development.

CORPORATE LOAN TO FINANCE THE ROSENDO MENDOZA WIND FARM

Cliente: ROUAR S.A.
TOTAL AMOUNT: USD 58 MILLION
TERM: 18 YEARS

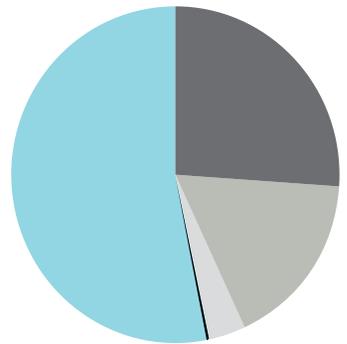
Objective: Finance the development of the Rosendo Mendoza wind farm located in the department of Colonia in Uruguay. The loan is part of a package of interventions designed to promote the sustainable diversification of the energy matrix to meet the projected increase in domestic energy demand for the 2014-2030 period. With a production capacity of 65.1MW, this project will help the country come closer to its goal of 300 MW of wind power generation by 2015, in line with Uruguay's energy strategy guidelines for the period from 2005 to 2030. The project will

also help reduce the country's dependence on energy imports and import prices. This project, which will be equally promoted by Uruguay and Brazil, is another example of regional cooperation.

OTHER TRANSACTIONS WITH COOPERATION RESOURCES

Client: Several clients
TOTAL AMOUNT: USD 0.9 MILLION
TERM: VARIOUS

Approvals by strategic area for 2014



53.1%
 MACROECONOMIC STABILITY

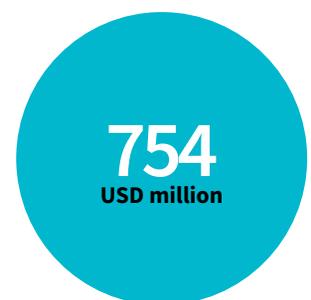
26.2%
 ECONOMIC INFRASTRUCTURE

17.0%
 SOCIAL AND ENVIRONMENTAL DEVELOPMENT

3.6%
 COMPETITIVENESS, PRODUCTIVE SECTOR AND MICRO-SMES

0.1%
 GOVERNANCE AND EQUITY

Total number of approvals in Uruguay during 2014



OTHER CONTRIBUTIONS TO SUSTAINABLE DEVELOPMENT IN URUGUAY



Support for value chains, aimed at achieving their consolidation in the domestic market and the internationalization of production.

PUBLIC POLICY

- Support for the Ministry of Economy and Finance to assess the conditions for creating and structuring a vehicle to finance infrastructure development, which would channel resources managed by private pension funds (AFAP, for their acronym in Spanish), for public-private partnership projects (PPP). The overall objective is to define the structural and regulatory conditions, as well as the level of interest, required to build and launch a mechanism to invest in the country's planned infrastructure projects under the PPP scheme.

- Support for the Montevideo Stock Exchange, in order to assess the current state of the Uruguayan market, identify barriers to its development, and establish guidelines for a plan of action to strengthen it. This operation is aligned with CAF's strategy to promote local capital and securities markets, infrastructure financing, and the regional homogenization of the securities market.

- Support for the Research Institute for Development, Growth and Economics (RIDGE) in organizing the RIDGE Forums, with the aim

of promoting the development of high-level economic research, combining work by major international and regional researchers with that of public actors responsible for the design and implementation of public policies. RIDGE is an initiative headed up by Nobel Prize economist, Joseph Stiglitz, in the framework of the International Economic Association and supported by Uruguay's Ministry of Economy and Finance and Central Bank.

COMPETITIVENESS

- Contribution to the Center for the Promotion of Human Dignity (CEPRODIH, for its acronym in Spanish), an organization that supports women in vulnerable circumstances. Assessment included the design and implementation of a strategy to position the Halo brand, developed last year with CAF's support, as part of the modernization of management at this center of community economics.

- Support for the Ministry of Industry, Energy and Mining for a project to improve the management of cooperative enterprises and their effective participation in value chains, aimed at consolidating the internal market and achieving the internationalization of production. Cooperatives in Uruguay are responsible for 2.4% of GDP and are the main actors in several areas of production (dairy, wheat and honey).

- Support for the National Development Corporation (CDN, for its acronym in Spanish) to define a strategy to reposition SAINDESUR, whose main objective is to provide financing services to SMEs with limited access to financing from commercial banks.

ENVIRONMENT

- Support for Gas Sagayo SA, a company building a regasification plant in Uruguay, in order to carry out a study to deepen knowledge of hydrodynamic phenomena and sediment transport in the implementation area, in order to find evidence of the existence of unforeseen events and their environmental effects.



LOGISTICS

Given the importance of the logistics sector for Uruguay, CAF has supported a number of organizations and institutions in this area. These include the support given to the following entities:

- National Institute of Logistics, for prioritizing actions included within the framework of the 2014- 2016 Strategic Plan.
- Municipality of Rocha, as part of a study to highlight the impact of the increase in logging activity at the port of La Paloma on the La Paloma beach in the department of Rocha.
- National Customs Directorate (DNA, for its acronym in Spanish) in a pilot study to bring about improvements in customs procedures at the port of Montevideo.
- Uruguayan Delegation to the Joint Technical Commission, on strengthening the technical capabilities for the development of the waterway of the Merin Lagoon.
- Ministry of Transport and Public Works for the First Latin American Congress for Railway Safety and Integration.

EDUCATION AND CULTURE

Support for the Foundation of Friends of the Solis Theater, involving strengthening the contents and methodologies used for training in human rights and citizenship, as well as the inclusion of these issues in the preschool teacher training program, using the performing arts.

- Support for the Second Ibero-American Theater Festival in Montevideo, through the Sala Verdi. The event was held in Montevideo and showcased stage plays from Argentina, Brazil, Chile, Peru and the Dominican Republic.
- In education, through the NGO Teach Uruguay, support was provided for a project aimed at recruiting, selecting and training a critical mass of professionals in order to address the lack of existing teachers in Uruguay. The program trained 25 young professionals and/or university students in teaching techniques and skills.
- Support, through the nonprofit organization “Un Techo para Uruguay” (Spanish for a roof for my country) for a project included in the TECHO Trades Training Program, which aims to offer tools through training designed

to help residents in informal settlements in Montevideo improve their employability. The 80 recipients will be selected from the 19 settlements where this social empowerment organization works.

TRANSPORT, URBAN MOBILITY AND ENERGY

- Support for the development of a study to detect the most suitable conditions for the promotion and viability of technologies, sources and the optimal use of transportation modes in Uruguay’s transport sector, at the request of the Energy Department in the Ministry of Industry, Energy and Mining.

0.9
USD million

Granted by CAF to Uruguay in cooperation funds.



Project to supply and install two 400kV underwater cables in Lake Maracaibo to strengthen the electrical system.

VENEZUELA

DURING 2014, CAF APPROVED OPERATIONS FOR VENEZUELA FOR A TOTAL OF USD 475 MILLION, OF WHICH 79% (USD 374 MILLION) CORRESPONDED TO SOVEREIGN RISK OPERATION AND 21% (USD 101 MILLION) TO NON-SOVEREIGN RISK AND NON-REIMBURSABLE TECHNICAL COOPERATION OPERATIONS.

CAF intensified its support for the Venezuelan energy sector with two operations for a total amount of USD 260 million, in support of the national plan for the development of the electrical sector (PDSEN, for its acronym in Spanish). The first project involves the supply and installation of two 400kV insulated underwater cables in Lake Maracaibo to replace the sections of suspended cables currently in place. The objective is to improve the quality of electricity services in the northwestern region of the country, while helping to meet the projected growth in demand. The second transaction is for the works required to complete the Termozulia II combined-cycle power plant, with 170 MW in additional generation capacity at the General Rafael Urdaneta Thermoelectric Complex by completing the combined cycle and carrying out the associated transmission works to channel the energy generated into the national grid.

In the field of comprehensive water cycle management promoted by CAF, USD 100 million was approved for the Lake Valencia Sanitation Project, which aims to reduce lake pollution and prevent the further degradation of the water quality at the Pao Cachinche reservoir which serves as a source for the regional potable water aqueduct. The aim is to upgrade and expand the wastewater treatment plant at the La Mariposa reservoir as well as the sewage collection and treatment systems in Lake Valencia's area of influence. This project is of particular relevance for CAF because of its implications for the health, quality of life and social and economic development of a highly urbanized region home to light industry and food production.

In addition, CAF approved USD 14 million for the third phase of the Sustainable Rural Development Project for Food Security in Semi-Arid Areas in Lara and Falcon (PROSALAF III. For its acronym in Spanish). The project aims to develop family and associative agricultural production among rural populations in the semi-arid areas of these two states and improve processing and marketing in order to permanently and properly increase timely access to safe, quality food. One aspect of the project is to strengthen the organizational capacities of rural communities in Lara and Falcon through training and technical assistance. Another seeks to set up diversified family and associative production systems which are adapted to the nutritional needs of the population, the productive capacity of the territory and the current availability of water resources.

Finally, a credit line of USD 100 million was approved for the Bank of Social and Economic Development of Venezuela (BANDES, for its acronym in Spanish) to finance development projects and the expansion of public and private companies in sectors tied to infrastructure, energy, oil and tourism.

VENEZUELA IN FIGURES (IN MILLIONS OF USD)

	2014	2010-2014
● Approvals	475	3,388
Sovereign risk	374	3,380
Non-sovereign risk	101	8
● Disbursements	276	2,590
Sovereign risk	276	2,585
Non-sovereign risk	0	5
● Portfolio	3,002	
Sovereign risk	3,002	
Non-sovereign risk	-	

APPROVALS IN VENEZUELA

LAKE VALENCIA SANITATION PROJECT

Client/Executor: Bolivarian Republic of Venezuela / Ministry of People's Power for Housing, Habitat and Ecosocialism through Hidrocentro

TOTAL AMOUNT: USD 100 MILLION
TERM: 15 YEARS

Objective: Seeking to improve the environmental quality of Lake Valencia and the water quality of the Pao Cachinche reservoir, which is the main source of drinking water for one of the country's main regional aqueduct, this project aims to design, upgrade and expand the "La Mariposa" wastewater treatment plant, as well as the sewage treatment system. This is expected to improve the quality of life of the inhabitants living in the catchment areas and promote greater development in the central region of the country. The lake sanitation project lays the groundwork for the future potabilization of the lake's water and the possibility of recovering this natural environment in the region.

UNCOMMITTED REVOLVING CREDIT LINE FOR THE BANK FOR ECONOMIC AND SOCIAL DEVELOPMENT OF VENEZUELA (BANDES)

Cliente: Bank of Economic and Social Development of Venezuela (BANDES)

TOTAL AMOUNT: USD 100 MILLION
TERM: VARIOS

Objective: In line with the economic and social development objectives of BANDES, the credit facility will finance development projects and assist with the expansion strategies of public and private-sector companies in specific sectors: infrastructure, energy, oil, telecommunications, technology, agriculture and food, among others. This facility seeks to provide financing opportunities for the Venezuelan population to facilitate their contribution to the country's productive and economic development.

PROSALAFI III PROJECT

Client/Executor: Venezuela / Ministry of Popular Power for Agriculture and Lands (MPPAT) through the Foundation for Training and Innovation to Support the Agrarian Revolution (CIARA)

TOTAL AMOUNT: USD 14 MILLION
TERM: 12 YEARS

Objective: PROSALAFI Phase III was approved to help develop family and associative agricultural production among the rural population living in the semi-arid areas of Lara and Falcon states and help to improve processing and marketing in order to increase access to safe, quality food. This project seeks to improve the quality of life and the social and economic status of the families living in the areas of influence.

PROJECT TO SUPPLY AND INSTALL UNDERWATER CABLES IN LAKE MARACAIBO

Client/Executor: Venezuela / National Electricity Corporation (CORPOELEC)

TOTAL AMOUNT: USD 200 MILLION
TERM: 15 YEARS

Objective: Supply and install underwater cables in Lake Maracaibo in order to expand the electricity distribution capacity in the northwest of the country. The project calls for the installation of two 400 kV insulated cables to replace suspended sections that cross the lake and are in a highly deteriorated state. This will ensure access to electricity for users located in the western state of Zulia, and at the same time improve safety conditions for maritime traffic traveling across Lake Maracaibo.

PROJECT FOR NEW WORKS AT TERMOZULIA II

Client/Executor: Venezuela / National Electricity Corporation (CORPOELEC)

TOTAL AMOUNT: USD 60 MILLION
TERM: 15 YEARS

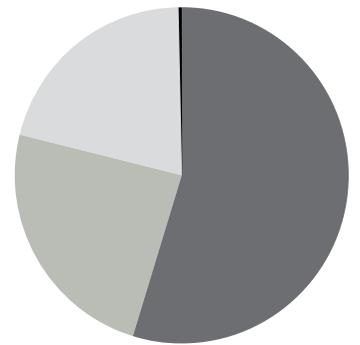
Objective: Create greater reliability and increase the electricity supply in the areas of influence within the framework of the project to complete the Termozulia II, a combined cycle power plant part of the General Rafael Urdaneta Thermoelectric Complex. With an output of 470 MW, i.e., 300 MW from the simple cycle and 170 MW from combined cycle, along with the respective transmission system linked to the power substations and transmission lines needed to channel the energy to the national grid. The scope of the project involves completing and activating the combined cycle Termozulia II plant, consisting of two heat recovery boilers, one steam turbine, one surface condenser, one 230 kV power transformer and the medium and low voltage current system.

OTHER TRANSACTIONS USING COOPERATION RESOURCES

Client: Several clients

TOTAL AMOUNT: USD 0.7 MILLION
TERM: VARIOUS

Approvals by strategic area in 2014



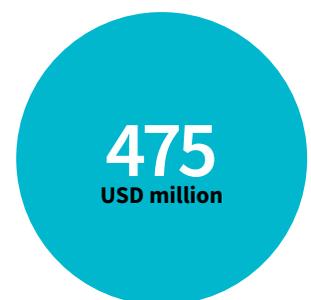
54.8%
ECONOMIC INFRASTRUCTURE

24.0%
SOCIAL AND ENVIRONMENTAL DEVELOPMENT

21.1%
COMPETITIVENESS, PRODUCTIVE SECTOR AND MSMEs

0.1%
GOVERNANCE AND EQUITY

Total approvals in Venezuela during 2014



OTHER CONTRIBUTIONS TO SUSTAINABLE DEVELOPMENT IN VENEZUELA



Support for rural communities through various projects, like the telemedicine initiative in the south of the country.

URBAN TRANSPORT

- Support for the development of urban areas through technical assistance for improvements in mobility and transport in the municipality of Caroní, in the state of Bolívar. CAF is offering technical and institutional support for the planning of an integrated urban transport system called TRANSGUAYANA, in Ciudad Guayana, starting with the review and update the project's conceptual design.

- Support program for the municipality of El Hatillo, in the state of Miranda, to promote inclusive business and urban mobility. The idea is to draw up a comprehensive plan for urban mobility based on the assessment of the municipality's current situation in terms of accessibility, mobility, traffic, transportation systems and public spaces. The program also seeks to advise the municipality on the design of a project to promote socio-productive development focused on helping people with lower incomes, ensuring win-win relationships between public and private civil society stakeholders.

INFRASTRUCTURE

- Assistance to the Simon Bolívar Geographic Institute of Venezuela was granted within the framework of CAF's strategy to promote the development of geographical information in the region to aid in decision making. This involved establishing the rules and technical specifications, methodology and standards for carrying out the project, called CARTONORTE, and developing the appropriate institutional, budgetary and management aspects. CARTONORTE aims to produce basic cartography at a scale of 1:25,000 in 21 states north of the Orinoco River in order to carry out plans to organize and manage social, economic and environmental resources.

ENERGY

- Study for the Institutional Strengthening of the Office of the Deputy Minister of Finance, Investment and Strategic Alliances. Support for the Ministry of Popular Power for Electricity through advisory services provided to define and develop a management model so that the ministry can strengthen its role as the governing body in the area of finance and investments in the electricity sector.



GOVERNANCE

- Support for the Andres Bello Catholic University at its nine campuses in different states throughout the country to develop the XII edition of the Governance, Management Policy and Public Management degree program with 174 enrolled students. The program seeks to develop management and public administration capabilities, and strengthen processes for change by achieving satisfactory levels of governance. The course is designed for local government officials, national or department-level public servants, public administration middle managers, municipal, regional and national technical teams, and members of organized civil society; in other words, individuals whose duties address issues of decentralization, sustainable development, public efficiency and a strategic outlook, in an effort to strengthen municipal management.

- CAF once again contributed to the Leadership for Transformation Program in order to identify, select and train men and women with strong leadership. In 2014, the nonprofit organization

Gumilla Center carried out the program for 469 participants from different areas of civil society in the public and private sectors, who shared the need to strengthen their ability to exercise leadership.

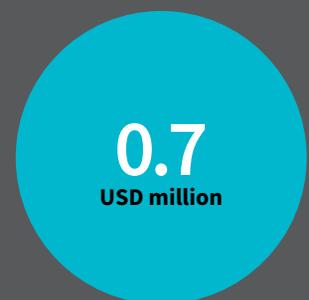
COMPETITIVENESS

- Support for the Venezuelan Confederation of Industries (CONINDUSTRIA, for its acronym in Spanish) to design its plan for the exchange and dissemination of the industrial development proposal called “Venezuela, Outlook 2025.”

- Contribution to the NGO “Circuito de Excelencia” to design, organize and promote touristic routes to improve occupancy levels during high and low season, fostering interaction and participation of the communities close to the inns and lodges on the circuit. At the same time, the proposal includes the drafting of a classification system of inns to be used in coming years.

EDUCATION AND CULTURE

- Support for the NGOs “Fomento para el Desarrollo Popular” (FUDEP, for its acronym in Spanish) - and “Queremos Graduar,” as part of the community project focused on low-income 14-16 year-old school leavers. “Queremos Graduar,” is an intervention project which provides assistance and support to reduce school dropout rates among students of vulnerable ages, helping young people to acquire the skills necessary to get their first job or go to college. The funds will be used to increase workshop attendance and strengthen the scope of the organization’s interventions.



Granted by CAF to Venezuela in cooperation funds.



During 2014, Trinidad and Tobago continued with the logistic and administrative process to become a full member of CAF.

OTHER SHAREHOLDER COUNTRIES

CHILE / COSTA RICA / SPAIN
JAMAICA / MEXICO
PORTUGAL / DOMINICAN REPUBLIC
TRINIDAD AND TOBAGO

Chile

In 2014, our presence in the country increased with the approval of three equity investments in funds focused on priority sectors of the Chilean economy.

Investment was approved in two parallel funds Aurus Venture III and Aurus Venture III-Corfo (copper, water and energy), both of which investment in small and medium sized enterprises that seek ways to reuse the products and by-products of the copper industry and at the same time provide water and energy to the mining industry in general, through innovative, efficient and environmentally sustainable solutions. This approval reflects CAF's firm commitment to supporting the productive transformation process of a key sector of the Chilean economy.

CAF's investment in the Endurance Venture Equity fund with FIDE resources was approved with the objective of encouraging economic growth. The fund, which has a multi-sector focus, invests in medium-sized enterprises with high growth potential. The strategy consists of making teams of professionals available to these enterprises, with the goal that they assume an active role in the daily management in order to transform operations, optimize processes and exploit the fund's growth potential.

The third equity investment falls within the scope of the Cities with a Future initiative promoted by CAF. Technical assistance resources were approved for "Mapocho Pedaleable," the winning project of the CAF III Urban Development and Social Inclusion Contest 2013. Funding will ensure that the necessary studies for the adaptation of the Mapocho river channel in the city of Santiago de Chile to transform it into an urban corridor for the non-motorized transportation of bicycles and pedestrians are carried out.

OTHER SHAREHOLDER COUNTRIES IN NUMBERS (IN MILLIONS OF USD)

	2014	2010-2014
● Approvals	2,046	5,785
Sovereign risk	1,350	3,183
Non-sovereign risk	696	2,602
● Disbursements	1,218	2,767
Sovereign risk	799	1,165
Non-sovereign risk	419	1,602
● Portfolio	907	
Sovereign risk	367	
Non-sovereign risk	539	

Costa Rica

In Costa Rica, as part of one of the initiatives of the Integration and Development of Central America Project, progress was made for the implementation of the Atlantic Corridor Investments Program. It consists in the construction of the Bajos de Chilamate-Vuelta Kooper stretch of road, located north of the city of San Jose. The project will improve Atlantic Corridor accessibility, encouraging economic development in the northern part of the country and increasing trade, agro-industrial and touristic activity in the area.

In the microfinance sector, a one-year extension was granted to Banco Improsa for its line of credit to help small and medium-sized enterprises in the country.

Spain

In 2014 CAF consolidated its position in Spain as a key Latin American player, bridging communications between Europe and the region.

CAF clearly demonstrated its support role for Spain, one of its member countries, through several operations carried out, in addition to strategic alliances and solid relationships forged with various public and private entities and foundations. In terms of business, the portfolio in Spain is USD 195 million.

Operations carried out with the public sector reinforced the institution's position in Spain. CAF's acquisition of 1.10% of the shares of Compañía Española de Financiación del Desarrollo (COFIDES) is significant. This union is an opportunity to establish synergies and collaborate in an effective manner in the development sector. It represents an important framework for actions in line with CAF's interests in channeling support for business cooperation between Spain and Latin America, as well as financial backing for Spanish companies' private projects in the region.

The agreement signed with the Official Credit Institute (ICO, for its acronym in Spanish) in 2013 granting a line of credit for USD 300 million was modified to meet the needs of the Spanish companies, including guarantee and counter-guarantee lines granted by CAF to cover projects in the rest of the member countries.

Operations in the private sector included the approval of the lines of credit for USD 50 million for Banco Sabadell and CaixaBank, and a USD 50 million increase in ISOLUX CORSAN's existing line of credit.

A show of Spain's recognition of CAF's role was the intense agenda with authorities at an institutional level, including Executive Chairman Enrique Garcia's meetings with the President of the Government of Spain, Mariano Rajoy, several cabinet ministers (Promotion and Justice) and secretaries of state (Trade, Cooperation and for Ibero-America).

During this same visit, and for the purpose of exchanging and transferring good practices and experiences in matters of interest for its member countries, such as transportation infrastructure, agreements were signed with sector agencies such as the Research and Experimentation Center of Public Works (CEDEX, for its acronym in Spanish) and with the Railway Infrastructure Administrator (ADIF, for its acronym in Spanish) of the Ministry of Public Works and Transport.

Several of the Ibero-American international organisms CAF has a close relationship with are headquartered in Spain. Strengthening the existing commitment, CAF signed collaboration agreements with the Ibero-American Social Security Organization (OISS, for its initials in Spanish), uniting forces with the objective of encouraging development of Latin American countries through the synergies among the private sector, multilateral cooperation and civil society; and with the Ibero-American General Secretariat (SEGIB, for its acronym in Spanish) for the organization of the VII Meeting of Economists, a forum that brings together prestigious economic experts from Europe and the Americas.

For the purpose of fostering business collaboration and cooperation, the Ibero-American Competitiveness and Productivity Council was created with support from CAF and the Spanish Business Competitiveness Council (CEC), IDB and the OECD. This council hopes to become the platform for large companies and Ibero-American financial institutions to analyze, study and discuss mechanisms that favor the region's competitiveness and productivity in sectors such as: education, talent development, innovation, infrastructure and logistic.

CAF's presence in the main business dialogue forums has grown substantially. Currently CAF is a sponsoring member of the Ibero-American Business Foundation (FIE, for its initials in Spanish), center of dialogue and reflection for the facilitation of investments and management, where some of the most important companies from Spain and Latin America participate.

In virtue of an agreement with Casa de America, an emblematic institution which is a representative of Latin America in Madrid, of which CAF is member of the Board of Governors, a series of conferences titled "Series of strategic matters in Latin America" were held throughout the year. These conferences were a space for reflection for some of the main topics of study of CAF such as infrastructure, water and energy, as well as challenges for investment and regional competitiveness.

In working to position CAF as a main promotor of knowledge sharing, events were organized to present CAF publications and studies, including the Economy and Development Report (RED, for its acronym in Spanish) and the Infrastructure for the Development of Latin America (IDEAL, for its acronym in Spanish), as well as conferences for the discussion and exchange of ideas about Latin America and its relationship with Europe.

In academia, new agreements were signed with Salamanca University and with the Carolina Foundation, and the University of Alcalá alliance was renewed, expanding academic alliances with entities that promote research and investigation in topics of interest for Latin America.

Finally, CAF strengthened its strategic alliance with the communications group Vocento in 2014, including a series of seminars held within the established framework for the promotion of relationships between Spain and Latin America in the institutional, cultural, business, academic and journalistic areas, reaffirming the possibilities that shared Spanish language open up for these relationships.

Mexico

In 2014 CAF approved USD 548 million in transactions in Mexico, of which 91.2% was for sovereign operations (USD 500 million). The remaining 8.8% (USD 48 million) was earmarked for non-sovereign operations.

CAF's USD 500 million in approvals for the sovereign sector were uncommitted revolving credit lines, including a USD 200 million line of credit approved for development bank Bancomext and USD 300 million for Nacional Financiera (NAFIN) for working capital, foreign trade activities, hiring of new personnel, financing client projects, among other.

In regard to the non-sovereign sector, equity investments were approved for two funds: Northgate Mexico L.P. and Partner Group. Northgate invests in medium-sized companies in the consumer, financial and services sector, and the latter, in infrastructure and energy. In addition, with the objective of supporting small and medium-sized companies, a USD 3 million line of credit was approved for a micro-financing entity, Consejo de Asistencia al Microemprendedor (CAMESA).

At the same time, using technical cooperation resources, CAF lent support for various forums and conferences in several strategic areas to address important topics for the development of Mexico and the region. They include the Conference on Energy Efficiency in Cities, organized by the Department of Energy, aimed at bringing together national and international experts, interested actors and decisions makers, to foster dialogue related to energy efficiency on a national and regional level. CAF also contributed to the X International Congress on Sustainable Transportation "Reinventing the Cities," organized by the Center for Sustainable Transportation EMBARQ Mexico, which sought to provide a space for cities and countries to exchange practical experiences; disseminate knowledge pertaining to theoretical progress the region has made; and generate debate about the specifics of certain topics considered important for urban development and general mobility issues.

In the education sector, the Summit of Leaders in Action for Education CLASE 2014 – Building Life Projects, was promoted for the purpose of encouraging education as the number one priority on the national agenda and generating a space for dialogue, proposals and innovations related to education that encourage a new debate in the country.

CAF also contributed to the preparation of information to generate a process of reflection and a learning agenda about social innovation initiatives in education and culture that encourage inclusion and equality for the South-South cooperation with social and governmental actors within the framework of the X Civic Ibero-American Meeting carried out during the XXIV Conference of Chief of States and Governments in Veracruz, Mexico. Finally, it supported the training of young people in social entrepreneurship, development of human talent, human rights, legal and tax obligations, obtaining of funds and loans for education, for the purpose of strengthening recently created civil society organizations, encouraging its sustainability and promoting its permanence in the states of Colima, Chiapas, Michoacan and Nuevo Leon.

In 2014, the Partnership in Opportunities for Employment through Technology in the Americas (POETA CAF, for its acronym in Spanish) was inaugurated, in partnership with OEA organization Trust for the Americas and Microsoft, with the objective of providing healthy environments and social and economic integration of youths through the teaching of life skills and work training. The POETA CAF center hopes to train young people in the use of technology and work skills to boost economic opportunities in companies through jobs and internships, entrepreneurial ventures, financial literacy and community leadership through programs adjusted to the reality of the target population.

Portugal

During 2014 the relationship and activity with Portugal increased. An institutional visit to Portugal included meetings with the governor of Banco de Portugal and with the secretary of state of finances, along with other authorities from the business and financial world. CAF actively participated in the III meeting Strategic Triangle: Latin America-Europe-Africa organized by the Institute for the Promotion and Development of Latin America (IPDAL).

In 2014, CAF approved USD 50 million in lines of credit for local bank Caixa Geral de Depositos and the engineering company Mota Engil in order to comply with its commitment to reactivate and restore Portugal's financial and business sector.

Other actions of CAF's European office

CAF's office in Europe works with a regional vision. Strategic alliances with leading internationally recognized European universities, like London School of Economics, University of Oxford, SciencePo, University of Alcalá and, most recently, University of Salamanca, has made it possible to build and manage an important network of knowledge. In addition, progress has been made in the articulation of this academic network, which will hold its first meeting in early 2015.

The relationships consolidated with organisms and institutions all around the world have allowed CAF to participate in various events of reflection, exchange of experiences and promotion in Europe, as well as Africa, Asia and Oceania.

Some of the European events CAF participated in include: the 50th Anniversary of the International Business Center, breakfasts of the European Forum, and the XVI Latibex Forum in Madrid. Likewise, CAF played an important role in the World Water Week in Stockholm (Sweden), coordinating various panels with a focus on Latin America. In the United Kingdom, CAF participated in what has become a traditional event for the institution: the Canning House conference, "Latin America: Integrating or Diverging?"

Participation in Africa, Asia and Oceania focused more on the business side of the promotion of opportunities in the region. The European office spearheaded CAF's involvement in the Latin America-Africa Investment Summit, the III Latin American-Korea Investors Summit, the Global Infrastructure Cooperation Conference 2014, the II Latin America Australia Investors Forum, among others.

Dominican Republic

In 2014, CAF approved USD 50 million for the Support Program for the Management of Public Credit Processes, a freely available programmatic loan designed to contribute to the strengthening of the management of public credit through the reorganization of processes.

The line of credit for bank BHD was renewed to support Dominican Republic's productive transformation and the economic growth through the funding of long-term investment.

In the second quarter of the year, the execution of the second phase of the Urban Development and Habitat Program was launched. The purpose of this program is to support the national government's social investment in the housing sector to improve the living conditions of low income families.

In terms of improved competitiveness, CAF approved technical cooperation resources for the development of a national export strategy. With these resources, it seeks to facilitate a consensus between the private and public sector aimed at defining a strategy to align the country's resources and its potential to achieve sustained export growth.

Trinidad and Tobago

During 2014, Trinidad and Tobago continued with the logistic and administrative process to become a full member of the institution consolidating its presence through institution relations and business promotion.

CAF carried out a dynamic promotion of businesses in the infrastructure and education sectors, in addition to closely collaborating with the Ministry of Economy and Finance, the Ministry of Education and the Ministry of Planning and Sustainable Development, among others. As a result of these meetings, opportunities to create programs and priority projects for the development of the country that CAF could finance in the upcoming years were identified. Efforts were also made to support the technical assistance agenda to carry out various activities.

The Ministry of Education of Trinidad and Tobago (MOE-TT) received non-reimbursable cooperation funds earmarked for the institutional strengthening and execution of investments, pre-investment studies and the structuring of a credit operation for the purpose of improving the quality of education and expanding its coverage. The Ministry of Planning and Sustainable Development received support at the VII Summit of Competitiveness of Trinidad and Tobago for generating spaces of dialogue about the competitiveness strategies of the nations, share research and investigations and encourage its application in the public policy agendas of the country.

CAF's cultural agenda in Trinidad and Tobago was part of the Music to Grow Program. Resources were used to assess and design a strategy to ensure the program's successful implementation in the country. Finally, the Ministry of Foreign Relations received support to develop a Convergence Study of the Caribbean, aimed at identifying innovative means of integration and convergence—in terms of markets and logistics—and reinforce value chains among Caribbean countries.

APPROVALS IN CHILE

EQUITY INVESTMENT IN AURUS VENTURES III AND AURUS VENTURES III-B (COOPER, WATER AND ENERGY) PRIVATE INVESTMENT FUND—FIDE

Client: *Aurus Ventures III and Aurus Ventures III-B (Copper, Water and Energy), Private Investment Fund*

TOTAL AMOUNT: USD 5 MILLION
TERM: 10 YEARS

Objective: Two funds were structured to make capital investments or quasi-capital investments in small and medium-sized enterprises seeking to develop environmentally sustainable business models in two segments, (i) reuse copper products and by-products and (ii) supply water and energy services to the mining industry with innovative and efficient solutions. The objective is to foster the development of these key sectors in the Chilean economy while minimizing their environmental impact.

EQUITY INVESTMENT IN ENDURANCE VENTURE EQUITY

Client: *Endurance Venture Equity*

TOTAL AMOUNT: USD 2 MILLION
TERM: 10 YEARS

Objective: Financing for this Chilean venture capital fund to invest in SMEs with sales between USD 5 million and USD 50 million, which represent a fundamental part of Chile's productive system, but lack management in order to transform them into professionalized companies and provide the needed support for their growth.

OTHER OPERATIONS WITH COOPERATION RESOURCES

Client: *Various clients*

TOTAL AMOUNT: USD 0.3 MILLION
TERM: VARIOUS

Total Approvals
in Chile 2014

7

USD million

APPROVALS IN COSTA RICA

UNCOMMITTED REVOLVING CREDIT LINE OF THE BANCO IMPROSA S.A.

Client: *Banco Improsa S.A.*

TOTAL AMOUNT: USD 10 MILLION
TERM: VARIOUS

Objective: Finance one of the main financial institutions in Costa Rica that serves small and medium-sized enterprises. The objective of this line of credit is to strengthen the management capacity of the country's SMEs.

Total approvals
in Costa Rica 2014

10

USD million

APPROVALS IN MEXICO

EQUITY INVESTMENT IN THE CAF FUND / PARTNERS GROUP AG FOR INFRASTRUCTURE AND ENERGY PROJECTS IN MEXICO

Client: *Equity Investment Fund in Mexico for Infrastructure and Energy projects*

TOTAL AMOUNT: USD 24.7 MILLION
TERM: 12 YEARS

Objective: Invest directly in a diversified portfolio of infrastructure and energy projects in the Mexican territory, and this way contribute to the development of the nation in these key areas of its economy.

EQUITY INVESTMENT IN THE NORTHGATE MEXICO, L.P. FUND

Client: *FNorthgate Mexico, L.P. Fund*

TOTAL AMOUNT: USD 20 MILLION
TERM: 10 YEARS

Objective: Invest directly in medium-sized Mexican companies with high growth potential for the purpose of contributing to the development and growth of these companies which form an important part of the national productive system, also improving in the medium and long term the quality of life of the Mexican people.

UNCOMMITTED REVOLVING CREDIT LINE FOR THE FOREIGN COMMERCE NATIONAL BANK S.N.L. BANCOMEXT

Client: *Banco Nacional de Comercio Exterior S.N.L. BANCOMEXT*

TOTAL AMOUNT: USD 200 MILLION
TERM: VARIOUS

Objective: BANCOMEXT is a development bank institution used as an instrument of promotion and development of Mexican foreign commerce. This line of credit aims to assist the institution with medium and long-term resources for the financing of Mexican exporting companies and to diversify its financing sources.

UNCOMMITTED REVOLVING CREDIT LINE FOR NACIONAL FINANCIERA S.A.

Client: *Nacional Financiera S.A. (NAFIN)*

TOTAL AMOUNT: USD 300 MILLION
TERM: VARIOUS

Objective: Finance NAFIN'S working capital aimed at bolstering foreign trade; supporting the hiring of new personnel and meet working capital needs of the bank's clients; helping productive chains; providing financing for energy projects; among other activities carried out by the institution. It is expected

that the financing will produce improvements in the Mexico's development in the medium term, especially in the energy and manufacturing sectors.

UNCOMMITTED CREDIT LINE FOR CONSEJO DE ASISTENCIA AL MICROEMPRENDEDOR, S.A. PEOPLE'S FINANCIAL COMPANY (CAMESA)

Client: *Consejo de Asistencia al Microemprenedor, S.A. People's Financial Company (CAMESA)*

TOTAL AMOUNT: USD 3 MILLION
TERM: VARIOUS

Objective: Finance small and micro-businesses in Mexico.

OTHER OPERATIONS WITH COOPERATION RESOURCES

Client: *Various clients*

TOTAL AMOUNT: USD 0.5 MILLION
TERM: VARIOUS

Total approvals
in Mexico 2014

548

USD million

APPROVALS IN DOMINICAN REPUBLIC

SUPPORT PROGRAM FOR THE MANAGEMENT OF PUBLIC CREDIT PROCESSES

Client / Executor: Dominican Republic/Ministry of Finance
TOTAL AMOUNT: USD 50 MILLION
TERM: 12 YEARS

Objective: Contribute to the optimization of the public credit management processes in the Dominican Republic to strengthen the financial administration of the national public sector. The Ministry of Finances was given three objectives: the redesign of operative processes; institutional reengineering to improve efficiency levels; and support and monitoring of the Public Debt Council. The program will contribute to the development and improvement of the Dominican economy to take advantage of the large existing opportunities.

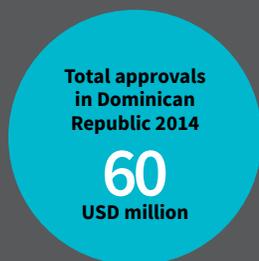
UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO BHD

Client: Banco BHD
TOTAL AMOUNT: USD 10 MILLION
TERM: VARIOUS

Objective: Finance foreign trade operations, working capital and investments in capital goods of the third largest bank and pioneer in multiple services in the Dominican Republic.

OTHER OPERATIONS WITH COOPERATION RESOURCES

Client: Various clients
TOTAL AMOUNT: USD 0.03 MILLION
TERM: VARIOUS



APPROVALS IN SPAIN

EQUITY INVESTMENT IN COMPAÑÍA ESPAÑOLA DE FINANCIACIÓN DEL DESARROLLO, COFIDES S.A. - SPAIN

Client: Compañía Española de Financiación del Desarrollo, COFIDES S.A. - Spain
TOTAL AMOUNT: USD 1.6 MILLION
TERM: 10 YEARS

Objective: Through an equity participation in COFIDES, CAF seeks to strengthen the ties that unite Spain and Latin America and generate financial support for the business segment aimed at creating jobs and driving growth in the complex global economic context.

UNCOMMITTED CREDIT LINE FOR OFFICIAL CREDIT INSTITUTE - SPAIN

Client: Official Credit Institute (ICO)
TOTAL AMOUNT: USD 300 MILLION
TERM: VARIOUS

Objective: Support this institution that plays an important role as promoter of the business fabric of the Spanish government, meeting financing needs, favoring the development of new projects and backing processes of internationalization especially for Spanish-Latin American MSMEs.

UNCOMMITTED REVOLVING CREDIT LINE FOR CAIXABANK S.A. - SPAIN

Client: CaixaBank S.A.
TOTAL AMOUNT: USD 50 MILLION
TERM: VARIOUS

Objective: Issuance of sureties, guarantees and loans for working capital.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO SABADELL (SPAIN)

Client: BANCO SABADELL (SPAIN)
TOTAL AMOUNT: USD 50 MILLION
TERM: VARIOUS

Objective: Financing of foreign trade operations; co-financing of capital investments or client projects in the region; issuances of standby letters of credit, performance bonds, and bid bonds with bank counter guarantee; confirmation of commercial and standby letters of credit.

OTHER OPERATIONS WITH COOPERATION RESOURCES

Client: Various clients
TOTAL AMOUNT: USD 0.5 MILLION
PLAZO: VARIOUS



APPROVALS IN PORTUGAL

UNCOMMITTED REVOLVING CREDIT LINE

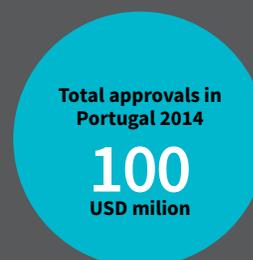
Client: Mota Engil SGPS Portugal
TOTAL AMOUNT: USD 50 MILLION
TERM: VARIOUS

Objective: Mota Engil is an industrial conglomerate that occupies a leading position in the construction and engineering sector of Portugal. This line of credit will help the group expand its operations in Peru, Mexico and Colombia, thereby promoting the development of the infrastructure sector in the region with the guarantee of the headquarters in Portugal.

UNCOMMITTED REVOLVING CREDIT LINE FOR CAIXA GERAL DE DEPÓSITOS

Client: Caixa Geral de Depósitos
TOTAL AMOUNT: USD 50 MILLION
TERM: VARIOUS

Objective: Finance foreign trade operations, working capital and investments in capital goods.



MULTINATIONAL APPROVALS

UNCOMMITTED REVOLVING CREDIT LINE FOR ABENGOA S.A.

Client: Abengoa S.A.
TOTAL AMOUNT: USD 124 MILLION
TERM: VARIOUS

Objective: Support projects for the sustainable development of infrastructure, environment and energy sectors in the private sector, specifically with operations in Uruguay and Peru, with possible new opportunities in Brazil and Chile.

REGIONAL CONTINGENT LINE OF FINANCING FOR EXTREME WEATHER EVENTS, EARTHQUAKES, CONTAMINATING ACCIDENTS AND EPIDEMICS IN THE REGION

Client / Executor: CAF shareholder countries or subnational entities with sovereign guarantee/ To be defined for each loan operation
TOTAL AMOUNT: USD 300 MILLION
TERM: VARIOUS

Objective: With the contingent line of financing for extreme weather events, earthquakes, contaminating accidents and epidemics, the countries in the region can request from CAF an individual credit facility to plan for future situations of disaster caused by natural phenomena like floods, landslides, and damages caused by intense volcanic rain, earthquakes, eruptions or anthropogenic influence. The financial resources of this facility can be used by the countries to finance investments in rehabilitation and construction of infrastructure, prevention and emergency assistance.

GLOBAL PRE-INVESTMENT INFRASTRUCTURE PROGRAM

Client: Global Pre-investment Infrastructure Program
TOTAL AMOUNT: USD 200 MILLION
TERM: 12 YEARS

Objective: Finance pre-investment studies of infrastructure projects and public and private services.

NON-COMMITTED CREDIT LINE FOR THE FINANCIAL FUND FOR THE DEVELOPMENT OF THE PLATINE BASIN (FONPLATA)

Client: Financial Fund for the Development of the Countries of the Platine Basin (FONPLATA)
TOTAL AMOUNT: USD 75 MILLION
TERM: VARIOUS

Objective: Finance the growth of the portfolio of this institution that will be focused on sovereign financing of its member countries: Argentina, Bolivia, Brazil, Paraguay and Uruguay.

EQUITY INVESTMENT IN RISK CAPITAL FUND FOR CASEIF III L.P. (FIDE)

Client: CASEIF III L.P. (FIDE)
TOTAL AMOUNT: USD 3 MILLION
TERM: 10 YEARS

Objective: CASEIF III is a venture capital fund that will invest in SMEs in Central America, Dominican Republic and Colombia, with the objective to promote the private company by means of intelligent capital, thereby facilitating economic development and a reduction in poverty in the area of influence. Likewise, the companies of the fund's portfolio will benefit from technical assistance resources, coaching in several areas and in the implementation and support of best practices, contributing as such with a deep and comprehensive development of SMEs, which at the same time represents an economic development of strategic importance for the country.

CORPORATE LOAN FOR CENTRALAMERICAN TELECOMMUNICATIONS NETWORK (REDCA)

Client: Red Centroamericana de Telecomunicaciones REDCA
TOTAL AMOUNT: USD 14 MILLION
TERM: 12 YEARS

Objective: The objective of Central American Telecommunications Network is the development, design, financing, construction, operation and exploitation of telecommunication services, or of those related to ITC, as an integrative telecommunications company for Central America. For the 2014-2018 period, REDCA has established four areas to work on: Network nucleus, Regional transportation, Regional integration and Business Services. This way the socioeconomic development for the people located in the areas of influence is promoted thanks to a better and greater access to telecommunication networks.

NON-REVOLVING CREDIT LINE FOR BANCO LATINOAMERICANO DE COMERCIO EXTERIOR S.A. - BLADEX

Client: Banco Latinoamericano de Comercio Exterior S.A. - BLADEX
TOTAL AMOUNT: USD 150 MILLION
TERM: VARIOUS

Objective: Support the channeling of capital to promote the development of Latin America and the Caribbean and provide integrated solutions that promote exports in the region.

UNCOMMITTED CREDIT LINE FOR CORPORACIÓN INTERAMERICANA PARA EL FINANCIAMIENTO DE INFRAESTRUCTURA S.A.

Client: Corporación Interamericana para el Financiamiento de Infraestructura S.A.
TOTAL AMOUNT: USD 35 MILLION
TERM: VARIOUS

Objective: Support the financing of infrastructure projects in Latin America and the Caribbean.

OTHER OPERATIONS WITH COOPERATION RESOURCES

Client: Several clients
TOTAL AMOUNT: USD 17 MILLION
TERM: VARIOUS

Total multinational approvals 2014

918
USD million



CAF's Agenda

FOR COMPREHENSIVE
DEVELOPMENT

Infrastructure
Energy
Social development
Social innovation
Environmental sustainability and climate change
SME, financial and productive sectors
Productive transformation
Socio-economic research
Institutional development



CAF'S INTEGRATED VISION FOR SUSTAINABLE DEVELOPMENT IS THE RESULT OF IMPORTANT RESEARCH INITIATIVES ON DEVELOPMENT ISSUES AND PUBLIC POLICIES AND THE INSTITUTION'S KNOWLEDGE SHARING EFFORTS.

CAF'S AGENDA FOR COMPREHENSIVE DEVELOPMENT

CAF's agenda for comprehensive development aims to achieve a high level of sustained and sustainable, quality growth in Latin America: high level in order to close the development gap with high-income countries and compensate for population growth; sustained as to ensure the continuity of economic progress and social improvements over time; sustainable to ensure the intergenerational viability of natural capital, respect cultural diversity and sustain democratic governance in the region; and quality so that the greatest proportion of the population can benefit equitably in favor of more disadvantaged segments.

At the same time, improved microeconomic efficiency and productivity should be underpinned by the transformation of Latin American economies in order to increase production and add value to national competitive advantages.

This requires more investment in all forms of capital: human, social, natural, physical, productive and financial, given that in order to close social gaps and bolster productivity, greater availability and quality capital is necessary in its different forms.

Moreover, the multiple processes of regional and international integration and insertion that are underway in Latin America, which are promoted by CAF, are especially important in order to generate economic growth less dependent on changing conditions in the international economic environment.

Indeed, since the early 90s CAF has been a trailblazer in support of the wider processes of South American and Latin American integration by expanding its membership to 19 shareholder countries today, which allows it to play a critical role in support of integration.

Integration processes have political, social and economic dimensions. From an economic viewpoint, they are aimed at achieving economies of scale that will facilitate progress in terms of efficiency and productivity, while promoting a competitive international insertion through the development of integrated regional markets that become large "domestic" markets of the Latin American countries.

CAF's integrated vision on sustainable development is the result of an important research program and its dissemination of knowledge on development issues and public policies supported by the intellectual effort of the institution itself, as well as processes of dialogue with Latin America's public, private and academic sectors. The strategic programs presented in the following pages reflect this vision.

1 TELECOMMUNICATIONS, LOGISTICS AND TRANSPORT INFRASTRUCTURE



CAF's infrastructure agenda for the telecommunications, transportation and logistics sectors aims to provide technical assistance and project development support to ensure better connectivity and mobility between the different regions of Latin America and within each country. Its overall objective is to bridge the supply and quality gaps in regional connectivity infrastructure (in terms of transportation and telecommunications), in an effort to facilitate mobility within cities in the continent, where 80% of the region's population lives. This will be achieved supporting initiatives to improve logistics performance and service quality, in addition to creating a more competitive, coordinated and physically, economically and socially connected continental territory.

On an ongoing basis, CAF is developing and sharing knowledge and promoting the design and preparation of projects, for which it provides specialized technical assessment tools and economic resources of technical cooperation to all of the stakeholders. Among the products produced in support of this agenda is the publication of the fourth annual Infrastructure for the Comprehensive Development of Latin America (IDEAL 2014) report, which describes the state of the region's infrastructure up to that year. In addition to providing an overview of new trends in the region, as well as the investment and development indicators for various sectors, this report includes an analysis of the best practices to balance the roles of the State and the market in the infrastructure value chain through the analysis of experiences and opportunities for the participation of the private sector in the market of infrastructure services. IDEAL 2014 also includes a chapter on the business development of Latin American companies

THE 2014 IDEAL REPORT PRESENTS PROPOSALS FOR A STRATEGIC AGENDA AIMED AT STRENGTHENING THE PARTICIPATION OF LATIN AMERICAN COMPANIES IN REGIONAL AND INTERNATIONAL INFRASTRUCTURE MARKETS.



INFRASTRUCTURE

In 2015, important infrastructure projects are earmarked for implementation in several countries of the region which have begun to promote investments in roads, transport and telecommunications, paving the way for the implementation of projects through concession schemes and private initiative proposals.

for the provision of infrastructure and related services in the region and the principle world markets for construction, equipment and infrastructure services. It also presents proposals for a strategic agenda aimed at strengthening the participation of Latin American companies in regional and world infrastructure markets.

In line with the above, in order to achieve the infrastructure agenda's goals, CAF promotes the use of innovative financing mechanisms for projects—including public-private initiatives—through its support for the implementation of innovative structures. This comprehensive assistance addresses the whole spectrum of interventions, from support to help countries prepare and improve their possibilities of implementing infrastructure projects, particularly through public-private partnerships (PPP) to comprehensive consulting and technical cooperation resources given governments to draft projects, strengthen and adapt their regulatory frameworks and institutional capacity. These efforts aim to facilitate private investment while CAF provides direct financing for projects through loans and capital investments in companies with concessions. In recent years, CAF has supported the concession processes carried out in Colombia, Peru and Uruguay, and provided advisory services to the government of Paraguay to define regulations of its PPP law and institutional model.

In 2015, important infrastructure projects are earmarked for implementation in several countries of the region which have begun to promote investments in roads, transport and telecommunications, paving the way for the implementation of projects through concession schemes and private initiative proposals. Colombia, Peru and Mexico, in particular, have moved forward with their reform processes and approval of regulatory frameworks to facilitate the execution of large-scale infrastructure works. Among them are: fourth-generation road concessions in Colombia; concessions for urban transport projects in several cities in Peru; broadband investments in Mexico to guarantee universal Internet access. In the case of Panama, there are the investments to prepare the ports and airports that will accompany the Panama Canal's operation following its expansion.

Below, the main strategic views and activities included in CAF's transport and telecommunications infrastructure agenda are broken down by sector.

Innovation and Sustainability of the Road Infrastructure

The road infrastructure agenda aims to promote and support the transfer of best practices in terms of management and intervention of urban and interurban road infrastructure throughout the region, seeking to optimize the available resources and foster their efficient conservation. The road infrastructure agenda's main objectives are:

» **Improvement of the technical and institutional capacity.**

Design and promote programs and actions to improve the technical and administrative competencies of public and private institutions in charge of the execution of road projects and acknowledge certain aspects of the region's road sector, which form part of the CAF's knowledge agenda.

The following programs stand out:

Road safety. Seeks to promote positive changes in road safety in Latin America and the Caribbean, with a "safe system" approach to support technological innovation, transfer of best practices among countries in the region—and other countries—with an emphasis on the implementation of programs and projects that reduce road accidents and their consequences.

Through the program, road safety audits have been carried out for CAF's financing operations for new road projects in the region, in order to guarantee that from the design stage of a project, the risks for users are clearly identified. In addition, work has been carried out regarding the analysis of various aspects of motorcyclists' safety, an issue that CAF is spearheading in the commission of multilateral banks, including the following actions: (i) design of a manual to draft motorcycle road safety guidelines; (ii) support for the development of a motorcycle safety plan for the City of Buenos Aires; and (iii) execution of the Motorcycle and Road Safety Forum, in conjunction with the Ibero-American Road Safety Observatory (OISEVI, for its acronym in Spanish), where the increasing number of motorcycles and accidents, as well as the solutions to diminish their consequences were discussed. The conclusions of this event were presented at the United Nations Road Safety Collaboration Group for the purposes of promoting motorcycle safety worldwide.

CAF, as a full member of the United Nations Road Safety Collaboration (UNRSC), a permanent United Nations committee presided over by the WHO, participates in six working committees that address issues related to infrastructure,

vulnerable users and road safety in companies. It was also responsible for drafting the Road Safety Guidelines, in an effort to have a common approach regarding road safety for multilateral development banks.

Road sustainability and conservation. CAF supports the design of urban and inter-urban road network policies, strategies and conservation plans. To do so, the institution helps road agencies to adjust existing institutional structures at the level of national and subnational governments; generate reliable road network inventories; design innovative hiring models and management systems in order to boost the generation of employment associated with road infrastructure conservation.

In 2014, CAF led the development of a Regional Road Maintenance and Management Observatory, which constitutes a valuable IT tool that can produce information and knowledge to improve local organizations' policy development and management capacity for investment-related decision making; promote the exchange of information and best practices among countries; guide debate on the issues; and allow for the participation of relevant stakeholders; act as a catalyst of support actions to finance projects, strengthen competencies and establish regional cooperation networks.

Its launch planned for 2015 will make it possible to gather, manage, analyze and use reliable information to develop more effective maintenance policies, thus contributing to the preservation of road infrastructure assets and the competitiveness of the countries in the region.

In addition, since 2014 CAF, along with the Latin American Conservation Council (LACC), in partnership with The Nature Conservancy, the IDB and an important group of private companies in Latin America, is developing a Guide on Sustainability Best Practices for the planning, construction and operation of roads in Latin America. This working group formed by Latin American leaders is oriented toward looking for solutions for the three main challenges in the region: the safety of water sources; food safety; and intelligent infrastructure, to benefit the population and nature.

» Project development: Financing, monitoring and risk control.

CAF's specialized technical personnel and financial resources provide support for identifying and mitigating risks in the projects it finances, getting involved in the follow-up of construction, and developing adequate mitigation measures. Financing packages for the implementation of several public projects in Bolivia, Brazil and Paraguay for the development of the road networks were approved in 2014.

In addition, as part of its search for innovative financing schemes for the region, CAF promoted and structured a special tool to finance infrastructure in Colombia (VEFIC, for its acronym in Spanish), which will make it possible to obtain resources from capital markets to finance the fourth generation road concessions program initiated in 2014 for USD 22 billion in projects over the next six years in several regions of the country. It is expected that this initiative will be replicated in other countries of the region that are implementing ambitious agendas of public investment with private participation.

CAF SUPPORTS THE DESIGN OF URBAN AND INTER-URBAN ROAD NETWORK POLICIES, STRATEGIES AND CONSERVATION PLANS. TO DO SO, THE INSTITUTION HELPS ROAD AGENCIES TO ADJUST EXISTING INSTITUTIONAL STRUCTURES AT THE LEVEL OF NATIONAL AND SUBNATIONAL GOVERNMENTS; GENERATE RELIABLE ROAD NETWORK INVENTORIES; AND DESIGN INNOVATIVE HIRING MODELS AND MANAGEMENT SYSTEMS.

Mobility and urban transportation

In line with its objective to promote the development of sustainable cities, CAF carries out comprehensive interventions that respond to the renovation needs of urban transportation systems from a sustainable mobility standpoint. The institution has become an innovative problem-solver, addressing the needs and problems of Latin America's cities, supporting the development of an urban road network and its associated public spaces, and the development and implementation of integrated mobility schemes where public transportation systems, assessment of the urban space, territorial planning and land uses play an essential role.

In this field, a knowledge-generation initiative for city dynamics was developed: the Urban Mobility Observatory of Latin America (OMU, for its acronym in Spanish), which contains information from the 25 largest cities in Latin America, including the main variables that characterize their mobility, and studies and analyses that correlate the indicators developed to explain the main characteristics of these urban areas in order to develop better public mobility policies. The annual OMU workshop took place in Bogotá, with the presence of the region's most renowned experts and authorities on the subject. Associated with OMU, four working papers were presented with data for 10 new cities updated to 2013.

In terms of technical support, support was provided for the implementation and start-up of a bus system for the hillsides of La Paz, and support for the cities of Sucre and Tarija within the framework of the urban transport program for Bolivian cities. Additionally, technical support for mass transportation systems, including BRT corridors and metro lines, promotion of non-motorized means of transport, replacement of fleets with clean technologies and institutional strengthening (including master plans) for the sector in Quito (Ecuador), Panama City (Panama), León (Mexico), Lima and Trujillo (Peru), Niteroi and Fortaleza (Brazil), Montería, Valledupar and Pasto (Colombia).

As part of an official visit conducted to the University of Toronto, an agreement was signed and a series of technical meetings held at the University of Toronto Transportation Research Institute (UTTRI) with the purpose of establishing cooperation agreements in the areas of transport and logistics researched by UTTRI.

Also, in part of the recognition of CAF's proactive role in urban transport projects in Latin America, a cooperation agreement

DURING 2014, CAF PARTICIPATED IN THE ORGANIZATION OF EVENTS AND WORKSHOPS TO ACCOMPANY THE START-UP OF PANAMA'S METRO LINE 1 AND LIMA'S METRO LINE 1, PHASE 2 MASS TRANSPORT SYSTEMS. THE RESOURCES FOR LIMA'S METRO LINE 2 WERE APPROVED.



was signed with KfW, to channel financial resources from the European Union to fund studies in support of the execution of sustainable urban transport projects, specifically in Bolivia, Panamá, Peru and Mexico.

During the year, CAF took part in the main forums to discuss the main issues regarding sustainable transportation: World Urban Forum organized by UNHABITAT, the annual conference of the Transport Research Board, Transforming Transportation, Summit of the International Transport Forum, the annual meeting of the Latin American Association of Metro Lines (ALAMYS, for its acronym in Spanish), among others. Furthermore, the eight multilateral development banks continued their simultaneous actions to strengthen the commitment made at Rio+20 to support the development of sustainable transportation. Furthermore, they issued a statement in support of the United Nations initiative at the Climate Change Summit held last October 23 in New York. CAF is the main driver of Transport Day, held as part of the COP 20 in Lima, Peru.

Finally, during 2014, CAF helped to organize events and workshops for the start-up of the mass transport systems in Panama (Metro Line 1) and Lima (section 2 of Metro Line 1). Funding for the execution of Lima's Metro Line 2 was approved; these works will help to consolidate these cities' public transport networks. Experiences and lessons learned were also shared among the institutions overseeing the execution of these important infrastructure projects, which have represented a challenge from an engineering and public management perspective, in an effort to improve urban mobility conditions for the local population.

Information and communications technologies



Recommendations made in the regional interconnection study completed in 2014 are being deployed in Peru, Mexico and Bolivia. The Digital Transformation in Latin America study also concluded in 2014 includes several recommendations for broadband expansion in the region.

Different CAF studies for the ICT sector conclude that Latin America lacks communications networks to guarantee universal access to these services. Fixed broadband penetration is still considerably lower than in other regions of the world. As a result, broadband access disparities persist, mainly for low-income populations, some public and educational institutions, and a large part of SMEs in the productive sector which have not yet incorporated advanced communications services and technologies in their production processes. Therefore, taking into consideration the positive impact of broadband on growth and poverty reduction, CAF promoted the development of digital inclusion plans and studies in several countries of the region, which seek to develop high-speed communications networks and improve the population's skills in order to take advantage of the benefits of their applications.

Moreover, the regional interconnection study concluded in 2014 made several recommendations, which are currently being deployed in Peru, Mexico and Bolivia. The Digital Transformation in Latin America study, also concluded in 2014, includes several recommendations for broadband expansion in the region. There were studies conducted in support of the integration of South American countries' fiber and submarine cable trunk networks in an optic ring (South American Connectivity Network for Integration) in accordance with the strategic line of action defined within UNASUR, and a comprehensive action framework was promoted to deploy Traffic Exchange Points (IXP).

To contribute to one of the main discussions in the ICT sector, CAF initiated a study to understand the impact and development of Over-the-Top companies on broadband networks and contribute to the development of the Internet value chain in Latin America. Likewise, with ECLAC, Ahciet and Fundación Telefónica, the most ambitious and innovative study was initiated to expand Latin America's digital ecosystem. In parallel, in a work coordinated jointly by ECLAC and the European Union, CAF supported the analyses for financing cloud computing platforms in government management. Furthermore, in cooperation with the International Telecommunications Union, seven plans for the transition to digital terrestrial television (DTT) in countries of the region are under development aimed at making the most of the digital dividend represented by the expansion of mobile broadband networks.

In collaboration with Ahciet, GSMA and the government of Panama, CAF organized the most important regional telecommunications congress in Latin America seeking to socialize the best practices for the development of the industry. Along the same line, the institution fostered competency improvements in policy and

regulation formulation for authorities of Latin America's ICT sector through its support of the International School on New Technologies, Public Policies and Creative Innovation promoted by ECLAC and IBEI.

Finally, during 2014 CAF approved resources to finance telecommunications companies whose investments will contribute to improve broadband network coverage and Internet-access associated services in Brazil and Peru. Financing was approved for REDCA, a project that supports the telecommunications interconnection project in various Central American countries by making the most of the infrastructure shared with the electric power grid, thus obtaining benefits by reducing costs and generating a positive impact on the region's connectivity.

Logistics and ports

CAF has developed a particular interest in topics related to the region's logistics and competitiveness. In 2014, the institution launched the Regional Logistics Development Plan for Latin America (CAF LOGRA, for its acronym in Spanish), which aims to identify, analyze, promote and carry out projects and programs on specialized logistics to contribute to the development of "national logistics systems." As a result, it will generate capacity and knowledge that will generate added value to be capitalized by public and private sector agents to improve the integral management of domestic and international logistics and the comparative logistics performance in Latin America. The objective is to contribute to the improvement of economies' competitive performance through logistics planning and the creation of logistics facilities and their gradual integration to ports, airports, railroads and highways, as appropriate.

The first deliverables produced during the program's introductory stage in 2014 included the Logistics Profile of Latin America (PERLOG, for its acronym in Spanish), logistics profiles for eight countries (Mexico, Panama, Colombia, Ecuador, Peru, Bolivia, Paraguay and Uruguay); the first Regional Logistics Map (MAPLOGRA, for its acronym in Spanish); and a portfolio of priority logistics development projects and programs for Latin America (PROLOGRA, for its acronym in Spanish). This diagnosis will help to define the actions to be taken and the investment priorities that will ensure the best performance of countries' productive and commercial activities to meet the challenge of competitiveness demanded by international markets. Moreover, as part of the agenda for knowledge generation, the institution carried out a state-of-the-art analysis in the region on several practices: sustainable logistics, urban logistics and international trade logistics, and installation of logistics centers.

THE REGIONAL LOGISTICS DEVELOPMENT PLAN FOR LATIN AMERICA (CAF LOGRA, FOR ITS ACRONYM IN SPANISH) AIMS TO IDENTIFY, ANALYZE, PROMOTE AND CARRY OUT PROJECTS AND PROGRAMS ON SPECIALIZED LOGISTICS TO CONTRIBUTE TO THE DEVELOPMENT OF "NATIONAL LOGISTICS SYSTEMS."

As the region's ports enter a new phase of modernization, making it possible for maritime and land transport to move toward new service standards and reduce logistics costs, CAF launched a program in 2014 to create the first Latin American Network of Digital and Collaborative Ports. This initiative, which was developed along with SELA, seeks to disseminate the best international management practices regarding collaborative and digital management of port logistics in the areas of institutional structure, operational efficiency and digital innovation.

GeoSUR – Digital cartography for the development of Latin America



In 2007, CAF launched the GeoSUR Program, jointly with OAS's Pan-American Institute of Geography and History (PAIGH), a regional initiative that integrates and disseminates spatial data in Latin America and the Caribbean over an accessible standardized web-based platform open to the public to aid infrastructure project investment planning for local economic development and regional integration. This tool includes official maps, aerial photos and geographic data prepared by diverse sources that generate spatial information on topics such as topography, hydrology, population, populated centers, environment and infrastructure, among others.

In 2014, 100 national institutions that produce geo-spatial data in 27 countries throughout Latin America and the Caribbean participated in the program. GeoSUR has become the most advanced regional geographic network in the developing world and has received five international awards in recognition of its achievements and trajectory. This year, GeoSUR incorporated 15 new members to the initiative; registered 40 new map services; incorporated 500 new regional maps to its map viewer; concluded a study of the hydroelectricity potential in the state of São Paulo and made progress with similar studies in Peru and Bolivia; initiated the production of flood mapping in real time; and calculated remote estimation of water flows in Latin America and the Caribbean. The project also offered over 65 specialists in the region virtual training in the operation of geo-services and environmental indicators; it supported six participating institutions' data migration and spatial services to the cloud and strengthened cooperation bonds with the Eye on Earth initiative and the Eurogeographics agency.

GeoSur intends to continue expanding the regional network with more spatial information and more participating institutions, including flood mapping in real time in Latin America, the development of the integrated digital map of the Andean countries and the beginning of the preparation of urban geographic data to support the Urban Mobility Observatory (OMU, for its acronym in Spanish).

GEOPOLIS: Infrastructure in harmony with the forces of the Earth

The program seeks to contribute to the development of a Latin American network designed to encourage a culture of prevention and public policies to reduce the risks associated with natural phenomena on the continent, as well as to promote the adaptation of infrastructure to climate change and the adoption of best practices in managing seismic risks. In its first phase, GEOPOLIS addresses three areas: prevention through institutional planning and development; climate change; and seismic-resistant engineering.

In its second phase, GEOPOLIS developed important content for its three components: institutional strengthening for disaster risk management planning, seismic-resistant engineering and climate change and water resources. In the first area, work was carried out to strengthen the institutional structure through awareness workshops and the elaboration of a framework for institutional strengthening for land transport, energy generation and transmission systems and ports in Peru, Ecuador and Bolivia; for drinking water, sewage services and logistics in Panama; and roads, drinking water and sewage services in Colombia. In the second area, an analysis of seismic-resistant engineering regulations in full force and effect in eight countries of the region with a comparison to North American regulations was completed. A guide to evaluate existing constructions to ensure their seismic qualification was concluded, as was a set of preventive strategies aimed at improving the characterization of seismic threats to be considered in the design of new structures. In the third area, a characterization of the impact of climate change and the necessary actions to mitigate its effect on water resources was concluded. Topics of analysis included draughts in the south of Peru; flooding in cities like Guayaquil (Ecuador) and Trinidad (Bolivia); the behavior of moors in Colombia, Ecuador and Venezuela; and the retreat of glaciers in Bolivia, Ecuador and Peru.

GEOPOLIS SEEKS TO CONTRIBUTE TO THE DEVELOPMENT OF A LATIN AMERICAN NETWORK CREATED TO ENCOURAGE A CULTURE OF PREVENTION AND PUBLIC POLICIES TO REDUCE THE RISKS ASSOCIATED WITH NATURAL PHENOMENA ON THE CONTINENT.

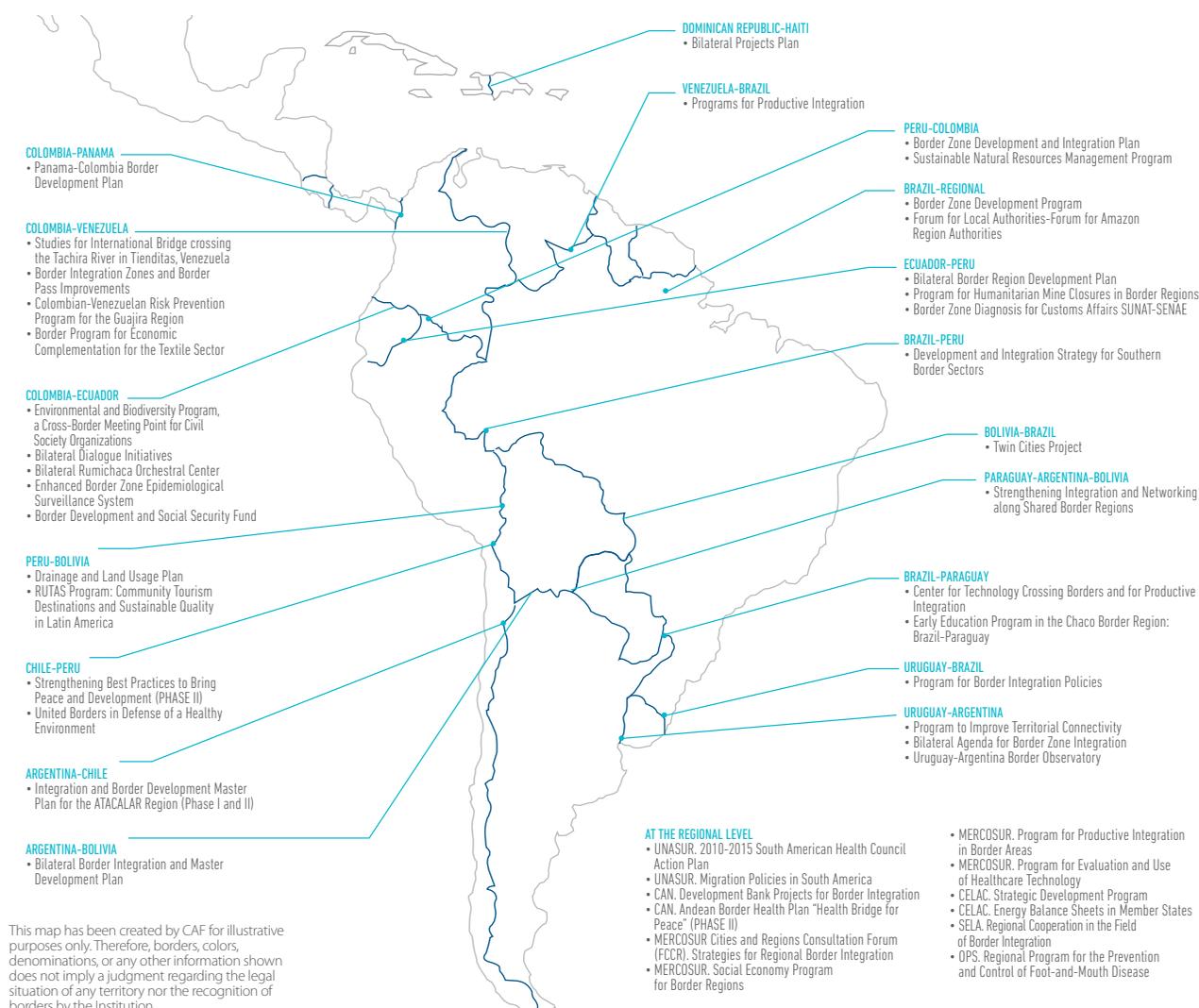


Program in Support of Border Development and Integration (PADIF, for its acronym in Spanish)

CAF promotes a strategic vision for border integration that allows its shareholder countries to plan and coordinate programs and projects for the best use of the shared potential, cooperation opportunities, stronger dialogue and mutual trust in border regions.

Through PADIF, CAF promotes binational border development and integration plans and fosters border integration zones (BIZ), as well as sub-regional policies among the countries of UNASUR, CAN, Mercosur and Celac, aimed at promoting territorial planning, physical, economic and productive integration projects, promotion of sustainable human development, institutional and community strengthening to encourage dialogue and cooperation in border regions.

DEVELOPMENT SUPPORT AND BORDER INTEGRATION PROGRAM



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

Integration of the South American Regional Infrastructure (IIRSA, for its acronym in Spanish)

Update and improve the

579

projects currently in CAF's portfolio.

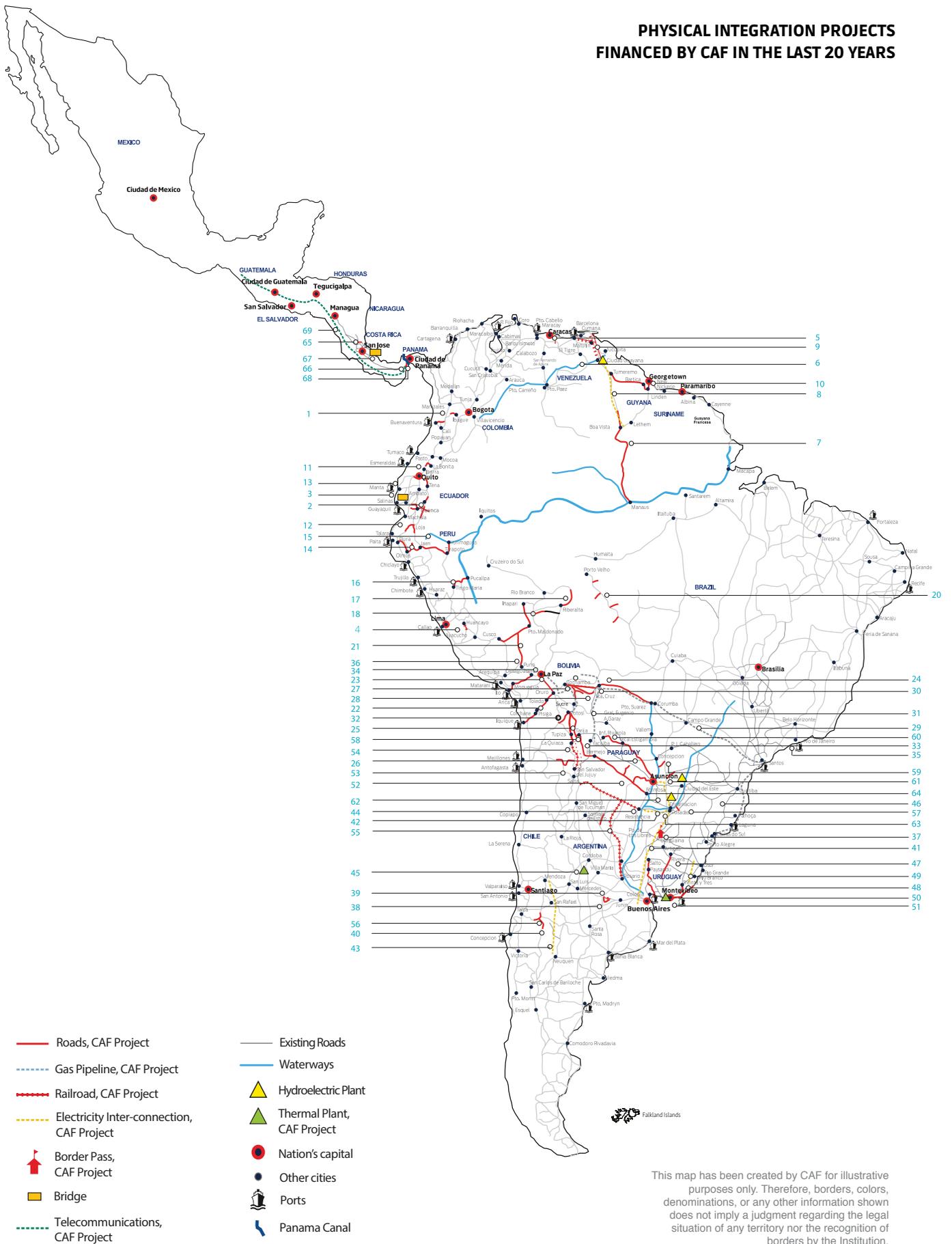
South America's physical integration process is strongly backed by UNASUR's South American Infrastructure and Planning Council (COSIPLAN, for its acronym in Spanish); IIRSA is its technical forum. The joint statement made by COSIPLAN authorities in Lima, on November 16, 2012, restated and emphasized "the need of the South American peoples to increase their infrastructure with high standards, including the related logistics services, in order to strengthen integration and regional union and thus improve internal efficiency and their insertion in the globalization process." At the same time, authorities reaffirmed the "commitment to the continued support of physical infrastructure projects and improvement of national and sub-regional logistics services, making it a priority in their public policies and development strategies, for the connectivity and integration of their different areas." Thus, the authorities meeting in Lima provided a broad support for the execution of the projects in the Priority Agenda for Integration Projects (API, for its acronym in Spanish) adopted by COSIPLAN.

During 2014, the IIRSA-Cosiplan Strategic Action Plan (PAE, for its acronym in Spanish) included actions along three strategic lines: (i) ongoing work was conducted to update and enrich the information on the 579 projects currently in COSIPLAN's portfolio; an online monitoring system for the 31 API projects was implemented; and the 2014 Project Portfolio and 2014 API annual reports were produced; (ii) planning methodologies and tools where the most significant activity was the development of the territorial integration programs and the program for risk and disaster prevention and management in infrastructure. These programs will boost the impact of infrastructure on the development of the regions involved, taking into account the economic, social and environmental aspects and identifying complementary actions; and finally (iii) sectorial integration processes where the focus was on air transport integration to promote regional economic connectivity through air freight and passenger transport; freight transportation and logistics, to identify the necessary actions to articulate investments in integration infrastructure with logistics and freight transport in its various forms; cross-border integration and facilitation, contributing to convert borders into integration and development areas, thus facilitating the mobility of goods and people in the region and planning the region with an eye on economic, social and environmental issues; trade integration of postal shipments fostering the inclusion of the micro, small and medium businesses in the international market through the implementation of a simplified export and import system using a postal logistics platform.

PHYSICAL INTEGRATION PROJECTS FINANCED BY CAF IN THE LAST 20 YEARS

	CAF's Contribution	Total investment (USD million)
Andean Axis		
1 Colombia: Bogota-Buenaventura Road Corridor	447.0	1,116.6
2 Ecuador: Amazon Connection with Colombia and Peru (Carretera Troncal del Oriente) (Eastern Trunk Road)	93.8	152.7
3 Ecuador: Segmented Bridge Project over the Babahoyo River	123.0	133.9
4 Peru: Rehabilitation of the Huancayo Huancavelica Railroad	14.9	18.8
5 Venezuela: Connection of the Caracas Railroad with the National Network	360.0	1,932.0
6 Venezuela: Support for the Commercial Navigation in the Orinoco-Apure River Axis	10.0	14.3
Guyanese Shield Axis		
7 Brazil: Venezuela-Brazil Road Interconnection	86.0	168.0
8 Brazil: Venezuela Brazil Electricity Interconnection	86.0	210.9
9 Venezuela: Ciudad Guayana-Maturín-Estado Sucre Railroad Study	2.6	2.6
10 Venezuela: Ciudad Guayana (Venezuela) –Georgetown (Guyana) Road Study	0.8	0.8
Amazon Axis		
11 Ecuador: Central Trans-Andean Connection	33.7	54.5
12 Ecuador: Southern 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 in the Border Region with Ecuador	5.3	8.7
16 Peru: Central Amazon Corridor (Tingo Maria-Aguaytia-Pucallpa Tranche)	3.5	13.6
Peru - Brazil-Bolivia Axis		
17 Bolivia: Guayaramerín-Riberalta Highway	42.0	45.5
18 Bolivia: Porvenir - Puerto Rico Highway	138.8	198.3
19 Bolivia: Yucumo - San Borja Highway	62.9	89.9
20 Brazil: Road Integration Program. State of Rondonia	56.4	134.2
21 Peru: Southern Inter-Oceanic Road Corridor (Tranches 2, 3 and 4) and private structuring	1,004.5	2,091.0
Central Inter-Oceanic Axis		
22 Bolivia: Bolivia-Chile Road Integration Corridor	316.7	473.2
23 Bolivia: La Paz-Oruro Divided Highway	250.0	265.1
24 Bolivia: Santa Cruz-Puerto Suarez Road Integration Corridor (Tranches 3, 4 and 5)	280.0	585.5
25 Bolivia: Bolivia-Argentina Road Integration Corridor	422.2	792.9
26 Bolivia: Bolivia-Paraguay Road Integration Corridor	379.5	633.6
27 Bolivia: "Y" Road Integration Program	176.9	296.3
28 Bolivia: Rehabilitation of the La Guardia-Comarapa Highway	153.2	224.8
29 Bolivia/Brazil: Bolivia-Brazil Gas Pipeline	215.0	2,055.0
30 Bolivia: Support Program for the Transportation Sector PAST I	22.4	32.3
31 Bolivia: YPFB Transporte Gas Pipeline	128.0	350.4
32 Bolivia: Complementary Road Works	70.0	73.0
33 Bolivia: Sectorial Transportation Program	150.0	221.2
34 Bolivia: Fine-tuning Program for Highways	75.0	107.1
35 Brazil: Complementary Works Program for the Metropolitan Arch of Rio de Janeiro	200.0	334.0
36 Peru: Bolivia-Peru Integration Road Program	48.9	176.6
Mercosur-Chile Axis		
37 Argentina/Brazil: Paso de los Libres-Uruguaiana Border Centre	10.0	10.0
38 Argentina: Buenos Aires-Santiago Corridor (Laguna La Picasa road turnoff)	10.0	10.0
39 Argentina: Buenos Aires-Santiago Corridor (Laguna La Picasa railroad turnoff)	35.0	50.0
40 Argentina: Buenos Aires-Santiago Corridor (accesses to the Pehuenche Pass, RN40 and RN145)	106.7	188.1
41 Argentina: Rincon Santa Maria-Rodriguez Electric Interconnection	400.0	635.0
42 Argentina: Rincon Santa Maria-Resistencia Transmission Line	150.0	345.8
43 Argentina: Comahue-Cuyo Electricity Interconnection	200.0	414.0
44 Argentina: Road Integration Program Between Argentina and Paraguay	110.0	182.0
45 Argentina: Extension of the Useful Life of the Nuclear Plant Reservoir	240.0	1,026.7
46 Brazil: Regional Integration program. Phase I, State of Santa Catarina	32.6	65.5
47 Uruguay: Mega-concession of the Main Connection Roads with Argentina and Brazil	25.0	136.5
48 Uruguay: Road Infrastructure Program	240.0	757.1
49 Uruguay: Program to Strengthen the National Electricity System	150.0	621.0
50 Uruguay: Punta del Tigre Thermal Plant Project and Combined Cycle Plant	208.0	814.4
51 Uruguay: Dredging and Gas Pipeline Project in Punta Sayado	86.2	104.2
Capricorn Axis		
52 Argentina: Pavement of RN81	90.2	126.2
53 Argentina: Access to the Jama Pass (Argentina-Chile)	54.0	54.0
54 Argentina: Studies for the Rehabilitation of the Jujuy-La Quiaca railroad	1.0	1.0
55 Argentina: Recovery and Improvement of the General Belgrano Railroad	326.0	408.0
56 Argentina: Second Phase of the Road Development Program: National Route N0 40	168.0	240.0
57 Argentina: Regional Road Development Program II and III	340.0	485.0
58 Bolivia: Tarija-Bermejo Highway Program	74.8	200.0
59 Paraguay: Rehabilitation and Pavement of Integration Corridors RN10 and RN11 and Complementary Works	19.5	41.9
60 Paraguay: Integration Corridors and Road Reconstruction Program	222.1	285
61 Paraguay: Yacretá-Villa Hayes 500 Kw second line	50.0	297.2
Paraguay-Parana Waterway Axis		
62 Studies for the Improvement of Navigation. Institutional Management and Operational Financial Scheme of the Waterway (Argentina, Bolivia, Brazil, Paraguay. and Uruguay)	0.9	1.1
63 Argentina: Railroad Integration Program Between Argentina and Paraguay	100.0	166.0
64 Paraguay: Program for the River Transportation of Iron for the Productive and Trade Integration between Brazil and Argentina	33.0	63.3
Mesoamerica		
65 Costa Rica: Investment Program in the Atlantic Corridor	60.0	80.2
66 Panamá: Rehabilitation and Highway Improvement Program	80.0	125.6
67 Panamá: Bi-national Bridge over the Sixaola River	5.5	13.4
68 Panamá: Panama Canal Authority. Expansion Program	300.0	5,250.0
69 Multinational: Central American Telecommunications Network	14.0	30.0
Others	210.0	812.0
Total	9,826.5	28,010.7

PHYSICAL INTEGRATION PROJECTS FINANCED BY CAF IN THE LAST 20 YEARS



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

2 ENERGY



CAF's action in the area of energy during 2014 is part of the integrated development agenda promoted by the institution to attain the high and sustained growth of the region. Its main purpose is to develop sustainable energy systems in Latin America by financing power infrastructure projects and technical assistance programs within the framework of its strategic guidelines.

Energy infrastructure financing

The ongoing support for the development of energy infrastructure in Latin America and the Caribbean throughout 2014 focused on the safety of the regional energy supply, the expansion of the access to energy and the optimization of the energy matrix in shareholder countries, trying to find the right balance for the rational use of available natural resources.

Coordination of regional networks

IN 2014, CAF SUPPORTED STUDIES TO ANALYZE THE FEASIBILITY OF ELECTRICITY INTERCONNECTIONS BETWEEN BOLIVIA AND NEIGHBORING COUNTRIES.

The second stage of the Regional Energy Agenda was initiated during the year. This agenda is led by CAF working jointly with ALADI, ARPEL, ECLAC, CIER, OEA, OLADE and WEC to promote synergies through inter-institute cooperation. After identifying and agreeing on joint actions for the energy sector in the region, this group of regional organisms decided to focus their actions on three initial programs:

- The Regional Energy Efficiency Program was launched in September.
- The Strategic Project Development Program for Regional Energy Safety, which is currently in the design stage.
- Post-graduate course on energy planning and integration, which is being structured with the support of the Universidad Latinoamericana (UNILA).

All these initiatives, which are at different stages of development, are earmarked to begin in 2015.

Promotion of projects with an integration component

During the year, CAF supported studies to analyze the feasibility of electricity interconnections between Bolivia and its neighboring countries in order to identify and assess energy infrastructure projects that support integration initiatives among countries in the Southern Cone.

Support of energy efficiency

With support from KfW, two financing facilities for the development of clean energies were structured with European Union funds, channeled to the region through Latin America Investment Facility (LAIF) and the German government. One of the lines of credit—for USD 120 million—is for energy efficiency projects from the supply side and the other credit line—for USD 150 million—is for projects from the demand side. These lines of credit plus a technical assistance fund will ensure the identification, structuring and monitoring of these types of initiatives.

Support for renewable, clean energy



for the development fund for geothermal projects.

The Sustainable Hydro-power Program promotes actions in the different countries, including:

- The evaluation of the hydroelectricity potential of CAF member countries. This study identifies the non-used potential as well as new projects for hydroelectric generation in the region. An analysis of the state of Sao Paulo, Brazil was finished; one was initiated in Peru and Bolivia, and another one was started on the bi-national basin of the Artibonito River, between the Dominican Republic and Haiti.
- Studies for the modernization of hydroelectric power plants in operation for more than 25 years. One study was initiated in Peru and others are planned for other countries of the region.

A study to identify geothermal projects in Latin America was carried out and a development fund for geothermal projects was created to mitigate risks during the initial exploration and drilling phases. Thanks to KfW's support, the European Union contributed approximately EUR 30 million to this fund. The project was officially presented at the COP20 meeting in Lima, and includes the participation of the World Bank, the Inter-American Development Bank, the European Investment Bank (BEI, for its acronym in French), the Central American Bank for Economic Integration (CABEI), the International Bank for Reconstruction and Development (IBRD), Japan International Cooperation Agency (JICA) and the French Development Agency (AFD, for its acronym in French), among others.

In addition, the Program for the Introduction of City Cooling Technologies with Deep Ocean Waters was launched. This program will include an economic and engineering assessment to determine the feasibility of developing SWAC-type (Sea Water Air Conditioning) air conditioning systems for the Caribbean islands. The results of this study were submitted to Caribbean authorities; progress with interested parties is expected in the upcoming phases.

Technological innovation incentives

The first call for entries of the Technological Patents Regional Initiative was published. The platform seeks to encourage individuals and institutions to submit patentable technological concepts and foster the creation of patent incubators in the region oriented toward renewable energies and energy efficiency. As a result of this initial call for entries, over 30 technological concepts were submitted and included in the assessment and awards process.



3 SOCIAL DEVELOPMENT



CAF IS AN ACTIVE PARTICIPANT IN SOCIAL SECTOR FINANCING, IN SUPPORT OF THE CREATION OF OPPORTUNITIES AND RESOURCES FOR GREATER SOCIAL COHESION AND A MORE DIRECT AND TRANSPARENT ACCESS TO TRAINING AND EDUCATION MECHANISMS.

CAF supports countries' efforts to improve the quality of life of their inhabitants through interventions that contribute to social inclusion, reduction of poverty and inequality from an integral perspective, and those that facilitate access to quality public services for the entire population. CAF is an active participant in social sector financing, in support of the creation of opportunities and resources for greater social cohesion and a more direct and transparent access to training and education mechanisms that reinforce social mobility and the inclusion of the most vulnerable population sectors.

These actions are channeled along three operating axes:

- Financing of investment projects and programs with high social impact to improve living conditions of the most vulnerable population, in particular.
- Technical assistance to improve the institutional framework of social sectors and strengthen the planning and public policy generation processes in an effort to ensure the pertinence, effectiveness and sustainability of the deployed actions.
- Generation of knowledge in the social areas, through research, systematization and dissemination initiatives related to the best working practices with innovative approaches.

In this respect, CAF structures its Social Development Agenda around a series of strategic guidelines that propose comprehensive support to the social sectors of the region, in line with their priorities and needs.

Comprehensive water management

From a comprehensive perspective of the cycle of water, CAF supports its shareholder countries through the development and financing of investment studies, projects and programs that contribute to improvements in the population's quality of life through four lines of action:

1. Management and protection of water basins.
2. Drinking water and basic sanitation services.
3. Irrigation and agricultural development.
4. Drainage, flood control and climate change.

In addition, CAF seeks to generate the conditions to ensure an adequate management of basic services by strengthening the institutional framework and governance of entities and institutions responsible for the management of water in the region.

During 2014, loans for projects and programs were assessed and approved for the provision of drinking water services, basic sanitation, treatment of residual waters, irrigation and drainage in Argentina, Bolivia, Colombia, Panama, Peru and Venezuela. Additionally, technical cooperation agreements were arranged for projects, including a stormwater drainage system master plan for Baraquilla's western basin, a flood control project for the metropolitan area of Guayaquil, policy guidelines for strengthening small suppliers of water and sanitation services in Colombia, and a plan to ensure the supply of urban water and sanitation services in the department of Magdalena in Colombia.

During this year, CAF also participated actively in the promotion of its work in the areas of water provision and sanitation services participating in different international forums, especially as coordinator of the South America Regional Process in preparation for the World Water Forum to be held in Korea in 2015. Among the most important international events during 2014 were: the Global Water Summit 2014, in Paris; Latin America's Water Week, in Mexico City; World Water Week, in Stockholm; Forum on Challenges and Opportunities in Water and Energy in Latin America, in Madrid; the forum "Building a Water Agenda for South America: On the Way to Korea 2015," in Washington, D.C.; panel "Financing of Infrastructure for Water Global Safety," in Paris (also in preparation for the Korea 2015 Forum); XIX Argentine Conference on Sanitation and Environment; I Inter-American Conference on Drinking Water and Rural Sanitation at Basin and AIDIS Congress "Water and Sanitation: Expanding Access with Quality and Reducing Inequalities."



During 2014, loans for projects and programs were assessed and approved for the provision of drinking water services, basic sanitation, treatment of residual waters, irrigation and drainage in Argentina, Bolivia, Colombia, Panama, Peru and Venezuela.

Quality education

Education plays an essential role in the transformation of Latin America. As such, CAF promotes and supports the efforts of its shareholder countries to strengthen their education systems, with an emphasis on ensuring the equal access to quality education and the generation of knowledge and skills to increase productivity and promote the welfare of their people. Education is one of the most powerful instruments to reduce inequality in the region, improve competitiveness levels and develop the necessary competencies to empower people to become better citizens. CAF's work in education has focused on the following priorities:

1. Access with equality and quality.
2. Education for employment and productivity.
3. Education for citizenship.

In recent years, CAF systematically increased its reimbursable and non-reimbursable financing, and technical assistance programs for education initiatives, particularly for the funding of infrastructure and equipment as a means to improve access to education at all levels. In its catalytic role, CAF has signed cooperation agreements with agencies specialized in education with the purpose of generating synergies and bolstering the impact of its intervention in education, in addition to putting into practice the advantages of incorporating a regional perspective to the efforts made by the countries to reach their goals.

Moreover, CAF works to facilitate young people's access to technical, technological and higher education, as well as quality jobs. This strategy works to increase qualifications and job and interpersonal skills among youths, improving their productivity and employment opportunities.

In 2014, the institution financed national investment initiatives, such as the Program for the Development of Infrastructure for Entrepreneurial Capacity in Argentina and the Program of New Educational Infrastructure in Ecuador. Technical cooperation agreements worth highlighting include the event Education and Innovation for Inclusion and Productivity: Challenges, Better Practices and Lessons Learned held in Buenos Aires. Of the several research projects conducted involving knowledge management, the Argentine programs Conectar Igualdad (Spanish for Connecting Equality) and the diffusion of lessons learned from Más Escuelas (Spanish for More Schools) are of note. Finally, CAF held a workshop working with Colombia's Ministry of Education as part of a process underway to strengthen the country's educational infrastructure program, where best international practices were shared and experts in the field spoke.

CAF PROMOTES AND SUPPORTS THE EFFORTS OF ITS SHAREHOLDER COUNTRIES TO STRENGTHEN THEIR EDUCATION SYSTEMS, WITH AN EMPHASIS ON ENSURING THE EQUAL ACCESS TO QUALITY EDUCATION AND THE GENERATION OF KNOWLEDGE AND SKILLS TO INCREASE PRODUCTIVITY AND PROMOTE THE WELFARE OF THEIR PEOPLE.

Comprehensive urban development

Of the 80% of Latin Americans living in cities, 20% to 50% percent of them live in precarious conditions. Therefore, CAF has identified urban development and neighborhood improvement as a priority area of action. The first goal is a paradigm shift, transforming sectorial interventions into territorial interventions with multi-sector benefits that will promote a more inclusive, competitive, sustainable and efficient development of cities. Additionally, CAF promotes the generation of knowledge on these issues through the research, identification and dissemination of good practices, among which local social inclusion progress should be noted. These objectives are included in the Cities with a Future Program, which brings together all CAF's areas of business with sector-specific actions.

CAF also implemented a program to address natural phenomena-related emergencies. This initiative supports central and local governments facing natural phenomena, events caused by humans or epidemics. This support is brought into practice through the following five actions:

1. Risk identification and assessment.
2. Risk minimization.
3. Financial management of risk management.
4. Disaster prevention and response.
5. Post-disaster recovery action.

Several financing activities were undertaken in 2014, such as the programs Aldeia da Praia in Fortaleza and the Plan for the Organization and Sustainable Development of the Historic City Center of Loja. Also, CAF's technical cooperation in alliance with UN-Habitat promoted the development of a Prosperous Cities Index in five of the cities in the Cities with a Future program: Quito, Guayaquil, Fortaleza, Lima and Panama. This index will assist with a diagnosis of these cities to determine the actions needed for their sustainable development.

CAF also supported the development of the IV Competition for Urban Development and Social Inclusion Projects; the studies for the design of a bicycle route along the Mapocho river in Santiago de Chile, a proposal that won the III Competition for Urban Development; and the exhibition "Latin American Lessons on Upgrading of Informal Settlements" in the Museum of Architecture of Buenos Aires.

CAF increased its international exposure on these issues leading the participation of Latin America in international events such as the World Urban Forum held in Medellin, Colombia, where the book *Construcción de ciudades más equitativas: políticas públicas para la inclusión de América Latina* (Construction of More Equitable Cities: Public Policies for Inclusion in Latin America) was presented. The institution was also present at the World Cities Summit held in Singapore, where inclusive urban development projects in Latin American were presented, and at the XLIX Housing Inter American Conference held in the Dominican Republic.

Additionally, a contingent line of credit was approved for climatic, seismic, contaminant accidents and epidemics seeking to strengthen the prevention process and the timely assistance after the occurrence of these events.

Social Sustainability

Growing through Music

The transforming power of music goes beyond its impact on the development of cognitive abilities in children and youth, especially in connection with reading comprehension, mathematic calculations and oral expression. Musical education has proved to be an important complementary activity in the comprehensive education of children and youth in connection with the development of social-emotional skills, especially among low-income children who do not have beneficial alternatives for their free time.

Increasingly, companies that hire young people who have just graduated from high school hold in high esteem their social-emotional skills, such as communicative abilities, team work, flexibility and adaptability, which are not necessarily acquired through formal education but which musical training does help to develop.

The program Growing through Music has promoted music as part of education and human development for the last 14 years. During 2014, 7623 children and youths and 819 teachers received orchestral and choral training in Argentina, Bolivia, Brazil, Colombia, Ecuador, Panama, Paraguay, Peru, Uruguay and Venezuela thanks to the



organization of 51 international workshops and 60 local workshops. As a means to expand the reach of musical training, since 2014 the program promotes the organization of local workshops to benefit children and youths that live in the interior of the countries, with the help of young Latin American musicians, who are also former students of the program.

As a sign of institutional strengthening and with the same purpose of extending the reach of the initiative, a certification program for local teachers was created. This will help the program to reach more children and youths through the hiring of qualified local teachers certified in the methodology used by the Simón Bolívar Music Foundation for musical training. This program will be implemented in remote locations far from capital cities, where musical training centers are being opened, but the program has not yet been put into practice.

For these purposes, partners and allies are sought throughout local countries. The first steps—visits and meetings—have been taken in Peru, Ecuador and Uruguay; whereas in Bolivia, a call for youth orchestras has been in place since 2013, which has helped to bring aboard allies from the business, public and multilateral sectors.

SOMOS: Sports Network for the Development of Latin America

The integral development of vulnerable boys, girls and youths is a regional need that demands creative and innovative solutions. This is how SOMOS, a Sports Network for the Development of Latin America, was born. This CAF initiative constitutes a platform for the interaction and exchange of social and institutional players, both from the public and private sectors, committed to the promotion of sports as a tool for inclusion.

The promotion of social skills in vulnerable children and adolescents, such as respect, solidarity and collaboration, and individual abilities such as trust, discipline and construction of life projects contributes to the creation of the social network, community participation and the rescue of public areas of communities affected by violence and criminality. SOMOS, with the support of its strategic allies, Special Olympics Latin America, UNICEF and Real Madrid Foundation, as well as its local allies, uses techniques designed by experts to strengthen the human condition of this population.

Sports for development has proved to be a simple, low-cost and effective mechanism for social inclusion, with a methodology for attaining comprehensive human development that generates competencies and skills in children and youths, helping them to improve their life options to become successful citizens.

This network, represented by 26 allies and partners and 15 sports networks from 10 Latin American countries, currently benefits more than 48,000 vulnerable children and youths aged six to 12 years old and trained 700 instructors and sports technicians in how to use sports for development. SOMOS provides experience, institutional strengthening, knowledge and financing resources, promoting synergies that drive the impact of social inclusion of children and youths through sports.

PASOS: Program for socio-productive inclusion



in Bolivia, Ecuador
and Peru benefitted

Latin America has made important progress in the reduction of poverty; nevertheless, many households still live in conditions of vulnerability, which translates into high inequality rates. CAF promotes the social and productive transformation of low-income populations in areas where the entity finances projects through technical training in urban and rural productive activities in order to increase employability. Aimed at promoting comprehensive, sustainable and replicable inclusion mechanisms, PASOS deploys actions both in rural and urban communities.

In rural areas, PASOS seeks to improve the economic conditions of rural families through the development of productive, organizational and financial competencies which, as a result, increase their income level in a sustained manner. This is the case of the RUTAS program, created to foster inclusive community tourism. To date, 3380 entrepreneurs in Bolivia, Ecuador and Peru have benefited from this program, which represents an opportunity to generate income and development for communities with significant cultural and historic wealth.

In cities, the program focuses on job creation, work training and employability initiatives, including micro businesses for low-income youths. Projects carried out include Bodegas Verdes in Venezuela, which combines productive integration and income generation with an environmental and gender orientation since it empowered 130 female household heads from informal settlements in Caracas through the bottling and marketing of cleaning products in recycled plastic bottles.

During 2014, 19 projects received support and are being implemented in urban and rural areas in benefit of more than 18,260 low-income people. An interesting alternative for sustainable business, and a generator of opportunities, was created in 2014 for CAF, its clients and the region: a credit operation for job training at one of CAF's client companies, which allowed the empowering and training of excluded populations, which at the same time generated an added value for the company, becoming a shared value creation model with a focus on sustainability.

DURING 2014, 19 PROJECTS RECEIVED SUPPORT AND ARE BEING IMPLEMENTED IN URBAN AND RURAL AREAS TO BENEFIT MORE THAN 18,260 LOW-INCOME PEOPLE.

Vit@I Program (Working toward the technological inclusion of Latin America)

During 2014, 20 telemedicine centers were opened, and general practitioners were trained for each center, located in Manta, Guayaquil and Quito. The facilities are equipped with state-of-the-art technology to provide telemedicine services to 20,000 patients.

Portable electrocardiograph, the otoscope and digital stethoscope, laptops and portable printers are tools that will allow doctors to expand their capacity to respond to patients and connect with specialists to support diagnoses and treatments without the patients having to travel to other health centers. Moreover, regarding online education, in partnership with the Central University of Venezuela, progress was made on the development of an online platform and specialized contents for the online training of health workers in the maternal-infant area.



4 SOCIAL INNOVATION



Social innovation has become imperative for the resolution of social problems in the 21st century. Today's challenges require a coordinated effort of actors from different sectors and disciplines joined together to generate a collective impact with different solutions and new ways of doing things. To think that solutions to social problems are the job of only governments and NGOs is a mistake that excludes other key stakeholders such as the private sector, civil society and the collective talent.

In 2014, CAF's Social Innovation Initiative (SII), a space for experimentation, continued to explore opportunities for social innovation capable of contributing to generating greater value for the region. These opportunities have been organized along four interconnected lines of action that complement each other.

The private sector and collective talent at the service of the social sector

B Corp. CAF sealed a strategic alliance with B Lab, an US-based not-for-profit organization which created the B Corp model. The objective of the alliance is to use market forces to resolve social and environmental problems. Within the framework of this alliance, CAF is also associated with Sistema B, B Lab's sister organization in Latin America, to promote the generation and consolidation of B Corp in the region. The B Corp expands the fiduciary duty of the

CAF ALSO IS ASSOCIATED WITH SISTEMA B, BLAB'S SISTER ORGANIZATION IN LATIN AMERICA, TO PROMOTE THE GENERATION AND CONSOLIDATION OF B CORPS IN THE REGION.

shareholders to its groups of interest, turning it into one of the most promising innovations of this decade and reintroducing ethics into the business world.

Collective talent. CAF sealed an alliance with Socialab, the open innovation platform with the most users in the world to leverage crowdsourcing as an innovative tool for the resolution of social problems by means of an open call online that takes advantage of a wide mass of intelligent, productive and connected talent at a low cost. This alliance strengthens incubators and accelerators of social innovation in the region and the promotion of companies with purpose.

Inclusive business model for vulnerable sectors: Employment for the workforce traditionally excluded from the job market.

Prison population. CAF built a business model in the Obrajes Women's Guidance Center (COFO, for its acronym in Spanish) in La Paz, Bolivia, aimed at transforming leisure time into a productive resource. The model is based on the balance between productivity and the generation of well-being of the prisoners by means of the construction of a company inside the prison as an instrument for exercising citizen rights, while generating basic and business skills.

People with disabilities. CAF explores the adaptation and implementation of an employment model for people with a visual handicap that takes advantage of the tactile skills of blind women, which are better than the rest of the population, in the early detection of breast cancer, the cancer with the highest mortality rate in Latin America. With the help of Discovering Hands, the organization which created the model, CAF is evaluating the possibility of implementing a pilot project in Cali (Colombia) aimed at generating employment in a traditionally excluded market of the population, at the same time as contributing to their cultural and social integration and alleviating a priority public health issue in the region.

Aymara youth population. CAF with the help of Melting Pot Bolivia is participating in the construction of a model that uses gastronomy as an innovative center of tourism, local economic development and social and labor inclusion. The model is focused on the generation of the young Aymara's skills who are trained in regional cooking by experts of the Gustu restaurant and the renowned chef Claus Meyer, co-founder of the Danish restaurant Noma, with the ultimate goal of positioning

local Bolivian cuisine internationally. The model connects various links of the value chain, including small producers, sustainable agricultural practices, nutrition and food safety for the families of the young people and the community of El Alto.

Value-added models in the new rural living

Financial inclusion. Together with FUNDEFIR, CAF supports the use of financial education in El Alto (Bolivia) and in the border between the Dominican Republic and Haiti as a tool for financial inclusion by means of a self-sustainable and self-managed model. This promotes an organization system in which the members of a community gather together voluntarily to provide financial services. With their own contributions and without the need for resorting to external capital or to the formal system, collective funds of the community are collected by means of a micro-investment mechanism to be distributed within the same group as credit and this way, finance their needs under rules and regulations that they establish. Beyond the financial transaction, this model teaches financial and social skills, strengthening the confidence and social capital among community members and triggering other processes of development within the community.

Education through broadcasting. CAF supports a two-track approach, a global and a community model, for eliminating malaria in the Dominican Republic. On one hand, a social co-investment mechanism was created between CAF and the Global Fund. On the other hand, a virtuous circle was created by Radio Marien, which integrates a powerful strategy of communication and community awareness to raise awareness about health issues with the organization potential that the community has, in particular, with young students and children, to make social changes that contribute to the improvement of their living conditions.

More value and more flavor for the cocoa routes in Ecuador. In alliance with ICCO, CAF supports the Maquita Cushunchic Working as Brothers Foundation in its transition from foundation to corporation for the purpose of ensuring and consolidating its growth and sustainability; as well as the addition of value to the chain of cacao by means of its processing and the promotion of touristic routes in grain production areas, in line with the public policy of prioritizing cacao and tourism of the National Plan for Well-Being, in particular with the objective related to the transformation of the production matrix.

Alternative development model for Pilcomayo – tri-national lowland area in Gran Chaco. With the help of the Moises Bertoni, Proyungas and Nativa Foundations, the **French global environment facility** FFEM, regional and local public sector of Bolivia, Paraguay and Argentina, among other entities, CAF supports the construction of an alternative and integral model that combines the generation of economic

TOGETHER WITH FUNDEFIR, CAF SUPPORTS FINANCIAL EDUCATION IN EL ALTO (BOLIVIA) AND ALONG THE BORDER OF THE DOMINICAN REPUBLIC AND HAITI AS A TOOL FOR FINANCIAL INCLUSION BASED ON A SELF-SUSTAINABLE AND SELF-MANAGED MODEL.

opportunities with environmental conservation and a rational use of natural resources. The model aims at regional solutions emphasizing the strategic value of Gran Chaco in terms of biodiversity, hydrocarbons, food and culture.

Knowledge management

In addition to being a process of change and continuous learning, social innovation takes on its full meaning when it is disseminated and multiplied. This fourth line of action is expressed, beyond the systemization of social innovation interventions, in the following: (i) methodological and field investigation by the Oxford Poverty and Human Development Initiative (OPHI) of missing dimensions of poverty data; (ii) the promotion in Latin America of a measurement tool for social and environmental impact issues, B Analytics; (iii) the initiation of a communications project that records the social innovation process and its evolution as well as on-site interventions; and (iv) the active participation in social innovation events such as the regional forum of the Ecuador Global Fund, the Skoll World Forum on Social Entrepreneurship in Oxford (United Kingdom), forums for launching the B Corps in Chile, Argentina, Colombia and Uruguay, the International Festival of Social Innovation in Santiago Chile, the second Congress of Social Responsibility in Buenos Aires (Argentina), among others.



5 ENVIRONMENTAL SUSTAINABILITY AND CLIMATE CHANGE



CAF continues to support the promotion and consolidation of the environmental sector in the region, through programs and actions aimed at promoting a sustainable productive transformation in its shareholder countries, as well as through its financing operations, which are environmentally sustainable and socially responsible.

Institutional environmental management

Throughout the year, 40 operations were assessed and 195 operations were monitored in terms of their social and environmental impact, supported by approximately 75 monitoring missions of active projects.

At the same time, CAF redesigned the procedural manual and the technical support guides for the internal evaluation process and environmental and social monitoring of the institution's operations. In 2014 progress was made on the design and implementation of the two new support systems/tools to carry out the climate evaluation of CAF's operations from two perspectives: mitigation (estimating the carbon footprint) and adaptation. Progress was also made in the design of a set of sector environmental guides for the more recurrent projects in CAF's portfolio.

THE AMAZON WITHOUT FIRE PROGRAM DELIVERS ONSITE TRAINING FOR THE APPROPRIATE USE OF FIRE IN AGRICULTURAL PRACTICES.

The application of the Strategic Environmental and Social Assessment Methodology (EASE, for its acronym in Spanish) was carried out based on the Brazil-Uruguay Binational Multimodal Transportation Project in the Merin-Lagoa Dos Patos Lagoon System, the results of which made it possible to improve the understanding of current and future territory dynamics, including the limitations and possibilities for deploying more sustainable development processes.

As part of the process of generating applied knowledge, and as a contribution of methodology to the development of a portfolio of priority projects, taking into account economic, social, environmental variables and the climate change situations, two projects were developed: (i) a guide for the management of water resources in mountain basins affected by climate change, which not only allows for the structuring of an integral diagnosis but also provides the applicable elements and measures for the adaptation of the populations to the climate change and introduces a mechanism for prioritizing investments; and (ii) City Footprint, which adapts methodologies for the calculation of the carbon and water footprints to the needs of the countries in the region, has been applied in La Paz, Lima and Quito. These works come together as climate change action plans within the framework of mitigation (carbon footprint) and adaptation (water footprint) to climate change.

In addition, the Amazonia without Fire Program in its initial phase is implementing on-site training for the appropriate use of fire in agricultural practices; its second phase will promote the development of sustainable economic activities while keeping the forest standing.

Through the Environmental and Social Management Program for Financial Institutions, 44 officers from 26 financial institutions from nine countries in the Latin American and Caribbean region were trained, in order to implement mechanisms that allow CAF partner and client financial institutions to incorporate environmental and social considerations tied to project financing from an early management stage. In parallel, 31 officers from 21 financial institutions in nine countries (Bolivia, Colombia, Ecuador, Panama, Peru, Paraguay, Costa Rica, Uruguay and Venezuela) participated in a training to develop skills and obtain a better understanding of the implications of climate change on the activities of these types of organizations so that they can: (i) integrate climate change in corporate action and strategic plans; (ii) identify risks, opportunities and markets for new plans and strategies; and (iii) adapt the material for internal use and use learning material as an independent reference guide.



The Environmental and Social Management Program for Financial Institutions trained 44 officers from 26 financial institutions in nine Latin America and the Caribbean countries.

CAF REDESIGNED THE PROCEDURAL MANUAL AND TECHNICAL SUPPORT GUIDELINES FOR THE INTERNAL PROCESS OF ENVIRONMENTAL AND SOCIAL ASSESSMENT AND MONITORING OF CAF OPERATIONS.

The event “Beyond Finances, Sustainable Finances” was carried out, with UNEP-FI (United Nations Environment Program Finance Initiative) and its members in Ecuador, with the assistance of 270 representatives from regulatory agencies, public and private banks, financial cooperatives, NGOs, municipalities, among others. As result, CAF assisted financial institutions in the training, coordination and search for synergies in the region, within the actions planned by the UNEP-FI Latin American Working Force to promote the mitigation of environmental impacts, the reduction of carbon emissions, as well as improve the eco-efficiency and competitiveness of Latin American companies and ensure their transition toward a low carbon economy.

As part of the Environmental Management Institutional Program (PIGA, for its acronym in Spanish), a communications strategy was established with the use of various electronic tools, lectures and activities with CAF staff members, for the purpose of promoting environmental awareness and the reduction of the institution’s carbon footprint. Continuing with the program “Zero Emissions,” annual inventories were carried out of the carbon footprint per country and per range in six areas of action. Additionally, a campaign for handling solid waste, including on-site recycling, was carried out, which included an assessment of waste, lectures for CAF and general services personnel, recycling conferences (paper, carton, bottle caps, plastic, metals). CAF’s office in Bolivia completed the process to obtain its **Leadership in Energy and Environmental Design** (LEED) certification expected in the first quarter of 2015.

PIGA assisted CAF’s representative offices in Bolivia with the process to obtain its LEED certification—**Leadership in Energy and Environmental Design**. The 12-month evaluation and implementation phases were completed in September 2014 and the building’s LEED certification was expected for the first quarter of 2015.

Green businesses

BIOTRADE



thanks to Andean Biotrade Project CAF-GEF-PNUMA.

The Green Business Unit (GBU) was created in 2014 to promote proposals and business actions that value Latin America’s natural capital by means of a productive transformation which is environmentally and socially sustainable and the region’s comparative advantages transcend the consolidation of its competitive advantages. The CAF Biodiversity Program and the CAF Forest Program were created with this objective in mind. In addition, the inclusive green business model with 15 success cases in biotrade was published. The GBU has also completed the first portfolio of 17 projects in Biodiversity, Forests and Ecosystem Services with a referential value of \$1.18 million.

Based on an alliance between the Global Environmental Facility (GEF) and the United Nations Environment Program (PNUMA), CAF manages the Andean Biotrade Project CAF-GEF-PNUMA. The initiative, with a budget of USD 18.26 million, has more than complied with the indicators it committed to in terms of deliverables, according to the results of independent evaluations led by the PNUMA, GEF and auditory firms. In summary, the project has conserved 139,000 hectares and USD 275 million in biodiversity, benefitted 178,000 families,

generated USD 834 million in new product sales, developed and certified 27 new products and raised USD 4.51 million in additional resources for co-financing. The GEF and the PNUMA have requested CAF to replicate these experiences in Mexico, Panama and Brazil.

Climate change

In 2014 CAF developed various mitigation plans for greenhouse gases, with emphasis on policies, mechanisms and sector studies for Nationally Appropriate Mitigation Actions (NAMA) to be established in the refrigeration industry in Colombia and the generation of energy with biomasses in Argentina. In the first case, four investment projects have been identified in the Colombian refrigeration industry which classify as energy efficiency initiatives and reduction of refrigerant gases that cause global warming. The projects with the possibility of loans in these industries also will have an indirect effect on the final domestic users that participate in eco-efficient housing programs which are of social interest to the Colombian government. The NAMA for biomasses in Argentina analyzed barriers for the implementation of projects for generation and co-generation with biomass from the agribusiness sector and 15 projects that represent USD 800 million in investment opportunities, of which USD 200 million could generate business for CAF.

IN 2014, IN THE AREA OF ADAPTATION, THE SECOND SUB-REGIONAL WORKSHOP OF ADAPTATION ACTIONS AND PROJECTS WAS HELD IN MEXICO WITH THE PARTICIPATION OF 12 CENTRAL AMERICAN AND CARIBBEAN COUNTRIES.

Along this same line of mitigation mechanisms, the performance-based contract (PBC), a mechanism not based on the carbon credits market of the Climate Change Convention, was put into effect. In conjunction with KfW with LAIF resources, this sector mitigation mechanism was developed making payments for the reduction of emissions based on the performance of the projects in the urban solid waste management sector of Ecuador for EUR 5 million. With



LAI resources, together with KfW, sector studies in cements and cogeneration were completed in different countries in Latin America, identifying a portfolio of 12 to 16 projects that represent potential targets of funding for CAF's business areas. For the structuring of this portfolio, different workshops were carried out with the identified companies for the purpose of establishing the barriers for investment in greenhouse gas mitigation projects and the schedule for obtaining the development and operation of each one of them.

The Latin American and Caribbean Carbon Forum held in Bogota was attended by 650 people, including technical experts, financiers and developers of actions in favor of climate change, among others. The NAMA workshop to monitor and verify greenhouse gas emissions in Mexico City as attended by 80 people, mainly government officials from the region. CAF also participated in CarbonExpo, one of the main global forums for climate change.

In 2014, in the adaptation area, the second sub-regional workshop for adaptation actions and projects was carried out in Mexico with the participation of 12 countries from Central America and the Caribbean.

The Vulnerability Index was created in the Latin American and Caribbean region for climate change. The index is an instrument that prioritizes adaptation measures and investments in the region. Additionally, the internal guide was produced to generate adaptation projects applicable to all of CAF's business areas that should consider climate change as a new risk and new business opportunity.

CAF had an important presence at the Conference of the parties to the **United Nations Framework Convention on Climate Change**. At 12 parallel events, CAF demonstrated its progress in the following areas: (1) Cities and climate change together with the French development agency AFD; (2) Financing of the Climate together with the International Development Financial Club (IDFC); (3) Vulnerability to climate change index in the main cities of Latin America and the Caribbean; (4) Nationally Appropriate Mitigation Actions (NAMA) supported by CAF in the LAC region; (5) Biotrade and climate change; (6) Results of the Amazon without Fire project to stop the deforestation of natural forest due to fire; (7) Results of the calculation of the carbon footprint and water footprint of La Paz, Quito and Lima; (8) Transport Day for Low Carbon Development; (9) Climate Action Summit with **United Nations Development Program** (UNDP); (10) Recovery program for degraded soils and climate change with the World Resources Institute; (11) New facility for promotion of geothermal energy with KfW; (12) World Climate

THE FIRST INITIATIVES USING THE FUND
RESOURCES IN SUPPORT OF LOCAL
ADAPTATION PROJECTS IN COMMUNITIES
AFFECTED BY THE EFFECTS OF CLIMATE
CHANGE WILL BE SUBMITTED IN 2015.

Summit with PNUMA; and (13) Climate Awards, category of Financial Innovation supported by CAF.

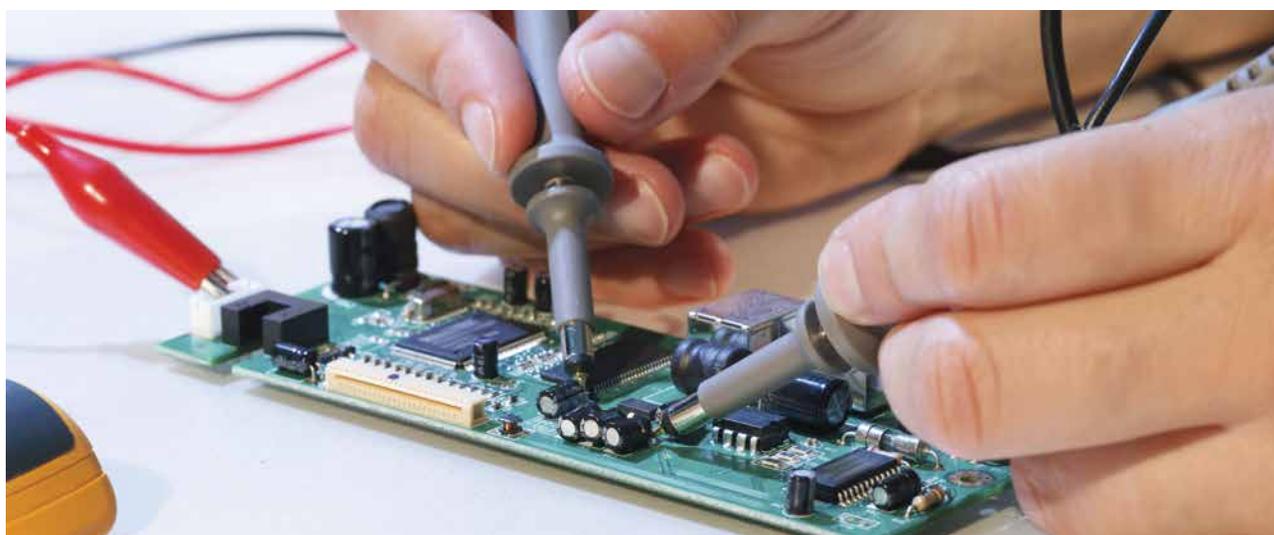
In 2014 the technical cooperation for the Ministry of Environment of Ecuador “Analysis of the Vulnerability to the effects of climate change of Emblematic Hydroelectric Centers in seven hydrographic sub-basins in Ecuador” was approved for USD 260,000 with resources from the Special Fund for Ecuador. The objective of this operation is to analyze the vulnerability to climate change of five hydroelectric power plants and one multipurpose power plant (Paute-Sopladora, Mazar Dudas, Quijos, Toachi-Pilatón and Coca-Codo Sinclair) and propose adaptation measures to minimize eventual reductions in hydroelectric production. The results of the study allow recommendations for adaptation measures to climate change to be generated for the handling of hydrographic basins, aimed at preserving the investment made by the Ecuadorian government in hydro energy. In total, including the contribution from the Ministry of Environment of Ecuador, the project includes the study of eight hydroelectric power plants and one multipurpose power plant.

Green Financing. In 2014 the application process continued for CAF as an implementation agency of the GEF (Global Environmental Facility). The development of CAF’s fiduciary standard for GEF was supported and the first part of the requirements to qualify as a GEF Fund Implementation Agency was concluded. Within this framework environmental requirements were approved, which were used to develop the policy and procedures guidelines manual for the application of environmental and social safeguards to the projects that receive financial support from GEF, in addition to three training workshops for staff members of the institution’s business areas, in the formulation of projects based on the Logical Framework Methodology and in the evaluation of impact. The expectation is that CAF will receive accreditation as a GEF Fund Implementation Agency in the first quarter of 2015.

In 2014 CAF obtained its qualification as an implementing agency for the Climate Change Adaptation Fund of the United Nations. The first projects formulated using the fund’s resources in support of local adaptation projects in communities affected by climate change are earmarked for submission in 2015.

Likewise, a green finance mapping exercise in 2014 within the framework of IDFC revealed that 23% of CAF’s 2013 portfolio was related to green financing, 80% of which was for climate. This exercise will be deployed to calculate green financing in 2014 using methodologies agreed upon with the IDFC.

6 PRODUCTIVE TRANSFORMATION



There is evidence that international market operations are developing within the context of a dynamism where the gap between global trade and global value chains is increasingly narrower. Given this scenario, CAF plays a fundamental role in designing and implementing programs that promote transformation and productive diversification, and allow SMEs of the countries in the region to participate directly or indirectly in the international market. These programs seek to encourage business ventures and innovation, as well as the generation of knowledge that replicates successful experiences and has an impact on the drafting of public policies oriented at creating industrial capacities, while strengthening productive chains and reinforcing connections between trade and investment in economic development.

A strategy limited to inserting the continent in global value chains is not enough for the countries in the region; it is essential to create conditions for them to participate with higher levels of systemic competitiveness based on productivity and innovation, quality, traceability of its products and services, among others. The low level of innovation seen in the region, mainly in view of the deficiencies in the design of national systems of innovation and mistakes made in the conception of what it means to innovate from a business perspective, has aroused interest, not only in terms of the development of new technologies, but also in contributions made to the improvement of processes and functions driven by entrepreneurial business ventures.

IN 2014 A PROJECT WAS STARTED WITH DIFFERENT DEVELOPMENT BANKS IN THE REGION, BY MEANS OF WHICH THESE INSTITUTIONS EXPECT TO STRENGTHEN THEIR FINANCIAL AND NON-FINANCIAL SERVICES OFFER.



CAF established the foundation for the support of productive chains of granite and fertilizers in Brazil and continues supporting those of coffee, cereals, wood, fishing and textile industries, as well as the productive cluster projects in Ecuador and Peru.

For this reason, during 2014, CAF focused part of its activities on strengthening the support strategies for innovation and continued promoting institutional changes in the regulatory and legal frameworks that allow investment in dynamic business ventures to be more attractive through projects such as Leadership with the European Union and Innovators of America. Likewise, innovation ecosystem studies in Chile, Brazil and Mexico continued and are supported at the same time by seminars held with the main public policymakers in the region.

Faced with the need to strengthen the competitive agendas of the countries, the creation of new institutional capacities for business development is also essential for the public and private sectors. For this reason, in 2014 a project was started with different development banks in the region by means of which the goal is to strengthen the offering of financial and non-financial services by these institutions, as well as accompany them in the design of new programs and products in accordance with the challenges of Latin America in its path towards productive transformation.

In turn, the region should reinforce its productive transformation and diversification efforts moving toward activities with greater incorporation of knowledge, for goods and services, and simultaneously, expand the regional domestic market through the creation and development of value chains with international projection, leveraged by foreign investments by multinational companies from within and outside the region. For this purpose, in 2014, CAF established the basis for the support of productive chains of granite and fertilizers in Brazil and continues supporting those of coffee, cereals, wood, fishing and textile industries, as well as production cluster projects in Ecuador and Peru.

Given that the regional value chains go hand in hand with the facilitation of trade, efforts to reduce or eliminate obstacles that affect the optimum business operation of exporters continued to be deployed. Likewise, the first stage of the Program of Excellent Exporting Companies in Colombia was implemented to strengthen the export business models of ten companies which export non-traditional products and services, as part of a public-private initiative in four regions of the country. Furthermore, the process of articulation continued with actors coming from public, private and academic sectors; a second intervention was carried out in the logistics development of Uruguay's ports, and

FOR CAF, IT IS VERY IMPORTANT TO ENCOURAGE CORPORATE GOVERNANCE BEST PRACTICES, THIS IS WHY PROJECTS OF SUPPORT AND TRAINING HAVE BEEN CARRIED OUT FOR VARIOUS COMPANIES IN THE REGION WHETHER STATE OWNED (EPE), FAMILY OWNED OR SME.





>>Continued from page 161

events, including an evaluation of trade processes and integration, were conducted in Colombia, Chile and Panama.

Just as substantial improvement of integration and trade infrastructure is needed, reform to increase the productive capacities of Latin American companies is also needed, which will allow the suitability of available quality workforces to be expanded; in other words, closing the gap between the availability of technical and professional training and the competencies that companies need to be able to compete in international markets.

In 2014, the component of education for productivity in the productive transformation agenda was expanded in which technical and technological training activities were supported, as well as the promotion of financial education in the region, for the purpose of improving the quality of companies' human resources. During the year the survey results of the measurement of financial competencies for Bolivia, Colombia, Ecuador and Peru were presented. In the area of technical and technological training, the pilot operation in Panama was concluded during 2014 with the support of Knowledge Sharing Program (KSP) of the Korean government. Likewise, a diagnostic study for Peru was started for the purpose of promoting technical and vocational education as a driving force of business innovation and to increase the productivity in economic sectors considered strategic.

On the other hand, the implementation of a set of formal and informal practices has become of vital importance to public and private companies that govern the relationships between administrators and those who invest their resources in these companies. For CAF, it is very important to stimulate corporate governance best practices; it is for this reason that it carries out support and training projects of various companies of the region whether state-owned, family-owned or SMEs. In 2014, CAF developed a series of programs aimed at expanding the implementation of corporate government best practices in state-owned companies on a regional level, as well as the launching of the Corporate Governance Guidelines (updated in 2013) in Bolivia. At the same time, the Corporate Governance Country Code for issuers of securities in Colombia was presented in alliance with the Superintendence of Finance.

Transversally, and in the framework of the Latin American Observatory of Productive Transformation, which seeks to integrate these important issues for the sustainable development of Latin America through the generation and dissemination of knowledge and successful practices, five investigations were carried out on topics related to technical education and professional training in Latin America; regulation of direct foreign investment; Latin American multinational companies, especially in the case of Chile and Brazil; dynamic enterprises in the region; and an analysis of the growth of the Latin American middle class.

7 PRODUCTIVE AND FINANCIAL SECTOR



CAF's support for the productive and financial sectors of its member countries is carried out through a wide range of financial and investment operations aimed at fostering the sustainable productive transformation of the economies; strengthening public and private financial institutions; promoting financial access of micro, small and medium-sized companies; and supporting the dynamic and innovator enterprise.

In each one of the economies in which CAF operates, and in alignment with the relevant public policies, efforts are made to identify the competitive sectors with potential to generate products and services with high added value. Financial services that CAF offers to companies that operate in priority sectors include loans for working capital and expansion projects, A/B loans, partial credit guarantees, guarantees for issuances of bonds, performance bonds, structured financings, financial advisory service, and equity investments, among others. CAF has initiated the assistance process for the food and agroindustry sectors, in addition to its traditional support for other sectors such as construction, cement and financial.

The strengthening of local financial systems is a critical factor for economic development. For this reason, CAF supports financial institutions by means of credit operations which facilitate the operations of international trade and the financing of productive sectors. CAF's relationship with financial institutions also corresponds

to a counter-cyclical function that is demonstrated at moments when the flows of capital toward member countries decreases. CAF has a very special relationship with official financial institutions and development banks since they are essential allies in the identification and promotion of sectors of the economy capable of transformation. In order to deepen the relationships with the development banks, CAF manages a support program for its integral institutional strengthening and offers financing that has a relevant and complementary impact on the change processes of the production matrix.

CAF also supports the review and improvement of the financial system's regulatory frameworks in shareholder countries for the design and incorporation of existing best practices that facilitate access of the users to the services offered by the system, as well as capital markets. Working with institutions that serve microbusinesses, CAF promotes access to financial services for this important segment of entrepreneurs that face barriers when seeking banking services such as credit and savings. CAF strives to offer to each microfinancing institution the product that best adapts to its specific needs, for example, lines of credit in US dollars or local currency, partial credit guarantees, subordinate loans and even equity investments.

Credit guarantee systems are also very important allies of the small and medium companies for seeking credit. CAF supports these entities through operations of technical cooperation, retro guarantees and co-investments.

CAF supports the innovative entrepreneurial ventures through equity investments in venture capital funds. These funds invest in turn in small and medium innovative companies in the initial stage of operations or growth, with the potential of becoming large corporate generators of new products and services.

Finally, through reimbursable and non-reimbursable technical cooperation resources, CAF supports several initiatives such as projects and platforms for financial inclusion through the use of technology; the generation of knowledge products such as reports, studies and sector reports; the organization of events and seminars in support of the private sector and the institutional strengthening of several entities.

WORKING WITH INSTITUTIONS THAT SERVE MICROBUSINESSES, CAF PROMOTES ACCESS TO FINANCIAL SERVICES FOR THIS IMPORTANT SEGMENT OF ENTREPRENEURS THAT FACE BARRIERS WHEN SEEKING BANKING SERVICES SUCH AS CREDIT AND SAVINGS.

8 SOCIOECONOMIC RESEARCH



The connection between research and development is very tight. Research constitutes a direct vehicle for the progress of societies and the promotion of productive capacities. In turn, there is an exchange between the investigative process and the implementation of efficient policies for productive development: public policymakers in the region rely on the inputs of research in order to make decisions that facilitate and stimulate economic and social development.

In accordance with this logic, CAF's Investigation Support Program (PAI for its initials in Spanish) seeks to encourage the design and execution of public policies and development of strategies of the countries of the region through the generation and diffusion of knowledge. The institution benefits from generating topics of interest for its agenda and participating in the debate about relevant issues related to Latin America's economic and social development.

During 2014, PAI oversaw the production of 13 publications. The 2014 edition of the Economy and Development Report (RED, for its acronym in Spanish) entitled "For a safer Latin America: a new perspective on crime control and prevention" in two different formats" was published in Spanish, in print and digital formats.

Likewise, volume No. 12 of the magazine Perspectives on Entrepreneurial Ventures for productive transformation and development. The edition aims to contribute to the discussion of how entrepreneurship and the productive transformation influence development. This discussion



were presented at the XII edition of the Competition Program in Support of Research, dedicated to citizen's safety in Latin America.

serves as at point of connection for academics and public policymakers to promote an essential debate to ensure the best performance of public policies.

Additionally, an edition of the FOCUS bulletin was released in June 2014. This edition describes the most important messages about public safety and development in RED 2014.

Several research papers were published in digital format as part of CAF's working papers series: Crime perceptions and reality in Latin America by L. Maris and D. Ortega; Electoral consequences of violent crime: Evidence from Venezuela by D. Kronick; Political constraints and state capacity: evidence from a land allocation program in México by L. Ferguson, H. Larreguy and J. Riaño; The shape of the web presence of Latin America Governments by M. Coscia and R. Hausmann; Scenarios and Perspectives of Electronic Governance in Latin America and the Caribbean by the Center for the Implementation of Public Policies Promoting Equity and Growth (CIPPEC); State capabilities in Colombian municipalities: measurement and determinants by G. Perry, E. García and P. Jiménez; Domestic Violence and Divorce Law: When Divorce Threats Become Credible by P. Brassiolo; The importance of Civil Service for the Development of State Capacities by M. Lacoviello and M. Chudnovsky and Monitoring Public Procurement: Evidence from a Regression Discontinuity Design in Chile by M. Girardino, S. Litschig and D. Pomeranz.

At the same time research projects associated with CAF's priority agenda were developed: six studies that will serve as input for the RED 2015 were commissioned that will speak about the capacities of the State and development. Likewise, the XII edition of the Investigative Support Program Contest dedicated to public safety in Latin America took place. Forty-two proposals were presented from 11 countries and two of them were selected: Endogenous emergence of tax institutions and tax performance in the context of ongoing internal conflict: the case of Colombia by J. Shapiro, A. Steele and J. Vargas; Political constraints and state capacity: evidence from a land allocation program in Mexico by L. Ferguson, H. Larreguy and J. Riaño.

Throughout the year activities aimed at disseminating the main conclusions and lessons of the RED 2013 "Enterprises for Latin America: from the subsistence toward productive transformation" were held in IESA (Venezuela); ECLAC (Chile); Brookings Institution, Washington D.C. (United States); Banco de España, Madrid (Spain); IV CAF-ILAS Conference, Beijing (China); Oxford University (United Kingdom); London School

CAF SEEKS TO PROMOTE THE DESIGN OF PUBLIC POLICIES AND DEVELOPMENT STRATEGIES OF IN LATIN AMERICAN COUNTRIES THROUGH THE GENERATION AND DISSEMINATION OF KNOWLEDGE.

of Economics (LSE) (United Kingdom); L'Institut d'études politiques Science Politiques (SciencePo), (France); Rural Financial Network, (Ecuador); Centro Banamex (México); and Global Development Network (GDN) (Ghana).

Likewise, the regional launch of RED 2014 on public safety and development took place within the framework of the CLI meeting of CAF's board of directors in Montevideo, Uruguay. National seminars were carried out in Buenos Aires (Argentina), Bogotá (Colombia), La Paz (Bolivia), Lima (Peru), Sao Paulo (Brazil), Río de Janeiro (Brazil), Quito (Ecuador), Mexico D.F. (Mexico) and Santiago de Chile (Chile).

RED 2014 ON CITIZEN SAFETY AND
DEVELOPMENT WAS LAUNCHED
REGIONALLY WITHIN THE FRAMEWORK
OF CAF'S CLI BOARD MEETING HELD
IN MONTEVIDEO, URUGUAY



Progress was also made in the drafting of the RED 2015, dedicated to State competencies and development in Latin America. A workshop at CAF's offices in Argentina was organized with the authors of the commissioned investigative documents that serve as support for the elaboration of this report. CAF participated actively in the XIX Annual LACEA Meeting, held in Sao Paulo, Brazil. This forum reunites annually the main researchers and academics in the region. CAF sponsors a session for the presentation of investigative works on interventions in different stages of life for the development of cognitive skills, where the following investigative document was presented: "The effects of job opportunities on employability of youth: experimental evidence from a large-scale labor program" and a session was organized on the topic of state competencies and development. Likewise, CAF sponsored a session where the RED 2014 on public safety was presented.

Additionally, economists in CAF's Socioeconomic Research Department participated in various conferences and seminars: Latin American Conference, Rethinking Latin America Harvard University, United States; VII Congressional Briefing of the Center for Evidence-Based Crime Policy, Washington D.C., United States; Financial Inclusion in Latin American and Caribbean Nations, Washington D.C., United States; Second Annual CAF Conference-Oxford, The Emerging Middle Class in Latin America: Causes, Challenges and Opportunities, Oxford University, United Kingdom; VII SEGIB Conference of Economists, "The impact of the new international scenario on Latin America: macroeconomic situation, equity and competitively," Cantabria University, Spain; 2014 IIF Annual Membership Meeting, Washington, United States; VII Annual Global Empowerment Meeting (GEM14), Harvard University, United States; editorial forum on urban public policy in Latin America-China, Santiago de Chile, Chile; 2014 Global Meeting of the Emerging Markets Forum, Virginia, United States; 2014 PEP Annual Conference, Inclusive Growth and Employment for Poverty Reduction, Santa Cruz, Bolivia; XVII Workshop in International Economics and Finance. San José de Costa Rica, Costa Rica; CAF Conference and Development Banks of Latin America, Lima, Peru.

Similarly, CAF sponsored and participated actively in the conferences organized by the investigation network for public safety, Latin American Crime and Policy Network (ALCAPONE), held in Sao Paulo, Brazil. The institution also participated in events organized by the investigation network for international trade, Trade Integration and Growth Network (TIGN), in Santiago de Chile.





Assessment of the impact of policies and lessons learned

During 2014, CAF's Department of Policy Impact Assessment and Lessons Learned developed three strategies to strengthen the learning process of public sectors on the effectiveness of their alternatives, in terms of policies and their implementation. First, an agenda was created to support the design, execution and analysis of more than 24 impact assessment projects in Argentina, Bolivia, Brazil, Colombia, Peru and Venezuela. These measurement initiatives fall within four areas: government capacity, public safety, social inclusion and productivity.

Next, as part of a dissemination and communications strategy, a series of policy briefs—public policies analysis—was developed for disseminating measurement results and their implications for public policies. Examples of the cases that gave origin to these documents include: increasing tax revenue (National Tax and Customs Department of Colombia); sports for development (SOMOS Network); and training, risk perception and police action (Ministry of Security of Argentina). Finally, as part of a research and dissemination strategy, CAF moved forward in the development of specialized documents for academic reviews and participated in 18 international conferences in order to present the findings of the studies and receive feedback.

9 INSTITUTIONAL DEVELOPMENT



The quality of countries' institutional management is essential in order to provide their citizens with efficient services; drive the correct evolution of public policies; and ensure sustainable development. During 2014, CAF continued to broaden and deepen its institutional improvement agenda under the strategic concept of creating knowledge, increasing institutional visibility in these areas and generating business opportunities.

In addition to the goal of contributing to the improvement of the public management and institutional quality, CAF faced the challenge of public safety in the region and contributed to the identification and development of new young leaders. The main focus of the implemented projects was to (i) implement a categorized work agenda that recognizes the needs of the countries in the region; (ii) contribute to the implementation of solutions, in addition to diagnosing the problem; (iii) push the state toward the knowledge frontier; and (iv) prioritize local government intervention and the supply of services by sector.

DURING 2014, CAF CONTINUED TO BROADEN AND DEEPEN ITS INSTITUTIONAL IMPROVEMENT AGENDA UNDER THE STRATEGIC VISION OF CREATING KNOWLEDGE, INCREASING INSTITUTIONAL VISIBILITY IN THESE AREAS AND GENERATING BUSINESS OPPORTUNITIES.

Public Management and Institutional Quality

A series entitled “Government, Public Management and Development in Latin America” carried out in 2014 included six important publications about governance for development. A menu of training options was designed for different levels of public administration, enabling CAF to provide its clients and stakeholders with a wide-range of training and educational options that address the different levels of public administration and government. Work on the CAF Platform for Development Governance was also begun. The initiative will not only include the complete set of training programs, but will also promote real-time interaction and communication between teachers, students and alumni of previous CAF Governance and Leadership for Transformation Programs. These programs were assessed in each of the countries where they were implemented, and were adapted to allow their consolidation and extension into other shareholder countries.

CAF has assisted the institutional improvement of public administration with the creation and implementation of technical cooperation initiatives, namely: an institutional improvement of the National Library to collaborate with Argentina’s digitalization process; support and strengthening of Paraguay’s center of government; development assistance for the 2040 complete sustainable development master plan for the Barú district in Panama.

Also in 2014, the Latin American Center for Development Administration (CLAD, for its acronym in Spanish) and the Organization of American States (OAS) strengthened the strategic cooperation between the two regional organisms. CAF collaborated with CLAD in the organization of the XIX International Congress of CLAD on State and Public Administration Reform held in Quito (Ecuador). There, CLAD’s advisory board approved the guidelines for the development and implementation of a joint project to improve municipal management within the countries in the region. In addition, CAF and OAS approved the development of a joint project to implement the Inter-American Program on Policy Innovation and Management.

WORK ON THE CAF PLATFORM FOR DEVELOPMENT GOVERNANCE STARTED IN 2014. THE INITIATIVE WILL NOT ONLY INCLUDE THE COMPLETE SET OF TRAINING PROGRAMS, BUT WILL ALSO PROMOTE REAL-TIME INTERACTION AND COMMUNICATION BETWEEN TEACHERS, STUDENTS AND ALUMNI OF PREVIOUS CAF GOVERNANCE AND LEADERSHIP FOR TRANSFORMATION PROGRAMS.

1,436

public officials

in Argentina, Bolivia, Colombia, Ecuador, Panamá, Peru and Venezuela participated in the Governance, Policy Management and Public Management program.

Governance, Policy Management and Public Management program

CAF's Governance, Policy Management and Public Management program was first launched in 2001 in Bolivia as a pilot in 2001. A year later, it was extended to Argentina, Colombia, Ecuador, Mexico, Panama, Peru and Venezuela. The CAF-envisioned initiative was developed academically by the George Washington University and adapted to each country's reality by local participating universities.

The program aims to train a critical mass of higher-level local government public workers and their management support teams in matters of governmental management so that they can contribute change-driven actions for sustainable development in their municipalities.

In 2014, greater emphasis was placed on public management issues, with the presence of new executors in some countries. Approximately 1,436 public officials in Argentina, Bolivia, Colombia, Ecuador, Panama, Peru and Venezuela participated in the program during 2014.

2,110

renowned leaders recognized

by their communities in Bolivia, Ecuador, Panamá, Peru and Venezuela graduated from the Leadership for Transformation Program.

Leadership for Transformation Program

The Leadership for Transformation Program, which was developed under the premise that social interaction in any environment requires that leaders' actions be driven by values and ethical principles, began as a pilot project in 2002 in Colombia and expanded to Bolivia, Ecuador, Panama, Peru and Venezuela over the following years.

The initiative aims to identify, select and shape natural leaders—men and women—with a vision of country and democratic values, so that they can perform their civic and community service leadership responsibly, consciously and with an understanding of their country's specific reality

In 2014, some adjustments were made to the course syllabuses and 2,110 renowned leaders recognized by their communities in Bolivia, Ecuador, Panama, Peru and Venezuela participated.

Regional Program for the Update and Improvement of Local Management

The Regional Program for the Update and Improvement of Local Management (Prameg, for its acronym in Spanish) seeks to assist municipalities in becoming efficient organizations with a modern management structure and the capability to plan, manage and increase profits and coordinate efforts, and thus generate greater efficiency in the provision of services.

In 2014, efforts focused on the institutional strengthening of local governments, which led to a new phase for the program dedicated to local governments and CAF's structural projects, providing assistance in the municipal transformation process while allowing their employees to take a leading role as agents for change. The first project under this modality was initiated that same year in the municipalities of David and Barú, in Panama and has since been implemented in 62 municipalities in six countries.

IN 2014, EFFORTS FOCUSED ON THE INSTITUTIONAL STRENGTHENING OF LOCAL GOVERNMENTS, WHICH LED TO A NEW PHASE FOR THE PROGRAM DEDICATED TO LOCAL GOVERNMENTS AND CAF'S STRUCTURAL PROJECTS.



Public Safety

250,000
police officers

will receive training as part of an agreement signed between CAF and OAS.

Technical cooperation and credit operations were developed on public safety. In Argentina, initiatives included the restructuring of the Argentine Public Safety Program; the development of an initiative to prevent gender-based violence; and, an analysis of the federal penitentiary management aimed at drafting an updated proposal to reduce criminal recurrence. In Bolivia, prevention and public safety programs were improved and initiatives under CAF's Cities with Future program were developed in Brazil (Canoas and Fortaleza) and Ecuador. In Peru, an updated proposal for effective public safety policies was developed in collaboration with authorities of local governments.

In regard to knowledge generation, CAF, in partnership with the Woodrow Wilson Center and WOLA, organized workshops to analyze and improve public policies in the cities of Monterrey (Mexico), Salta (Argentina), Los Angeles (United States) and San Jose of Costa Rica (Costa Rica). In terms of inter-institutional cooperation efforts, CAF deepened its collaboration with the Brazil Forum on Security. Together, they published an annual report on the main public safety indicators in Latin America. CAF also signed a broad strategic cooperation agreement with the OAS Public Safety Secretariat. This new strategic partnership for the development of citizen security policies throughout Latin America aims to develop a five-year educational program for 250,000 police officers throughout Latin America, strengthen social programs to end violence and support strategies for the improvement of regional information systems.

Youth

Also in this area, a series of national seminars for young leaders was organized, first in Argentina and then in Peru. Moreover, an international meeting took place in Washington D.C. with the presence of Latin American university senior enrolled in the United States. Along the same lines, CAF reinforced its institutional alliance with the Inter-American Youth Organization (IYO) which exponentially bolstered the development bank's visibility in youth-related issues and lead to the development of the CAF Young Entrepreneurs Program. Another major cooperative effort is in the works with Trust for the Americas to finance the POETA-CAF Youth Vocational Center in Mexico. Finally, CAF is working with the Visible Hands Foundation in Colombia to promote youth development in western Colombia.

Democracy and Regional Political Analysis

CAF has also implemented initiatives in the fields of democracy and regional political analysis: with the Carter Center, CAF is supporting the improvement of relations between the media, the political sector and society; with Latinobarómetro the institution has organized a roundtable with renowned regional researchers and participates in the analysis of the regional survey; with the Economic Research and Education Center of Mexico, it is exploring the main opinion trends regarding regional foreign policy; and, with the Latin American International Relations Foundation, it is analyzing the region's main internal challenges and the international insertion process underway.

CAF REINFORCED ITS INSTITUTIONAL ALLIANCE WITH THE INTER-AMERICAN YOUTH ORGANIZATION (IYO) WHICH EXPONENTIALLY BOLSTERED THE DEVELOPMENT BANK'S VISIBILITY IN YOUTH-RELATED ISSUES AND LEAD TO THE DEVELOPMENT OF THE CAF YOUNG ENTREPRENEURS PROGRAM.

Regional Promotion

AND INTERNATIONAL
RELATIONS

CAF is actively present in the main regional integration events

Throughout 2014, CAF continued to actively support the agenda of several regional integration mechanisms and occurrences, in addition to its substantial contributions to strengthen new spaces for dialogue and consensus in Latin America and the Caribbean.

Through the definition and startup of comprehensive work programs with the distinct regional organisms and systems, the institution conclusively contributed to the implementation of sub-regional, regional and hemispheric agendas for integration and consensus. In 2014 CAF established its position as an important element in the development integration between Latin America, Europe and Asia.

Ongoing involvement and technical support in the development of the region's integrative agenda, as well as CAF Executive President's presence at each of the presidential summits, consolidated the institution's role as a key player in the development of priority projects aligned with the shareholder countries' integration objectives. CAF mainly promoted projects related to regional physical infrastructure integration, energy market integration, financial integration, productive integration, MSME development and financial support, and incentives for the consolidation the



II Summit of Heads of State and Government of CELAC. Havana, Cuba, January 28 - 29

productive value chains. At the same time, the institution fostered specific regional programs for environmental, social, educational and cultural development, in addition to multiple cross-border, bi-national and sub-regional integration and cooperation programs for social unity and the reduction of inequality.

CAF's presence and active participation in regional fora include: the II Summit of the Heads of State and Government of the Community of Latin American and Caribbean States (CELAC) in Havana, Cuba; the XLVI Summit of the Heads of State of the Southern Common Market (Mercosur, for its acronym in Spanish) in Caracas, Venezuela; and the XLVII Mercosur Summit held in Parana, Argentina; the XXIV Ibero-American Summit of Heads of State and Government, in Veracruz, Mexico; the CELAC Ministerial Meetings on Economics and Finance, Energy, Infrastructure, Telecommunications and Border Integration; the II and II Meetings of Regional and Sub-Regional Integration Mechanisms in Latin American and the Caribbean; the Ministerial Councils of the Union of South American Nations (Unasur); and multiple meetings and work sessions of the Andean Community (CAN) commission, the Andean Integration System, the Andean Parliament, Mercosur, the Mercosur Advisory Forum of Municipalities, Federal States, Provinces and Departments (FCCR), the Pacific Alliance, the Executive Secretariat and Co-Presidency of the Mesoamerican Project.

In 2014, CAF launched several work and cooperation programs based on a holistic approach of complementarity and convergence, in partnership with many regional integration organizations and secretariats, including the General Secretariat for the Organization of American States (OAS); the Secretariat General for Ibero-America (SEGIB), the Ibero-American Youth Organization (IYO) and the Organization of Ibero-American States for Education; the Secretariat General of CELAC; Unasur, CAN, the

Andean Parliament and the Andean Regional Health Organization – Hipolito Unanue Convention; the Mercosur Common Market Group and Social Institute; the Latin American Integration Association (ALADI); the Association of the Caribbean States (ACS); the Latin American and Caribbean Economic System (SELA, for its acronym in Spanish); the Economic Commission for Latin America and the Caribbean (ECLAC) and the Latin American Social Sciences Institute (FLACSO).

CAF continued to further develop work programs with the countries' pro tempore presidencies of the Ibero-American Community; CELAC, Unasur, Mercosur and Mercosur Advisory Forum of Municipalities, Federal States, Provinces and Departments, Mesoamerica Project, Pacific Alliance, ACS, among others, including an important network of multilateral institutions, academic entities and social organizations that promote regional integration.



XXIV Ibero-American Summit of Heads of State and Government. Veracruz, Mexico, December 8 – 9



Extraordinary Meeting of the Unasur Council of Heads of State and Government. Guayaquil and Quito, Ecuador, December 4 – 5

Global Outreach

CAF ADVANCED A DYNAMIC PROGRAM OF ACTIVITIES REGARDING EXTERNAL RELATIONS IN ORDER TO STRENGTHEN ITS INTERNATIONAL PRESENCE AND CONTRIBUTE TO LATIN AMERICA'S GLOBAL PROJECTION.

The main events the institution participated in 2014 include:

- **IE Business Leadership Forum. Madrid, Spain, January 15.** CAF's Executive President spoke with Spanish business leaders on the economic outlook for Latin America as part of the forum organized by the prestigious IE Business School.
- **Atlantic Basin Initiative. Veracruz, Mexico, January 15 – 17.** CAF supports this initiative—coordinated by the Johns Hopkins University—to promote cooperation among countries in the Atlantic Basin, through the generation of synergies between politicians, experts and institutions in the Americas, Europe and Africa.
- **I CAF-LSE Conference “The Rise of the Global South” organized by CAF and the London School of Economics. London, UK, January 17.** This forum fostered an analysis of the characteristics of the rise of emerging countries on the global stage, the impact of their interactions on South-South cooperation and the challenges involved in defining a strategic agenda with vision, through a high-level dialogue between authorities and academics from Latin America, Africa and Asia. The keynote address was given by Enrique Iglesias, Iberoamerican Secretary General.
- **World Economic Forum (WEF) Annual Meeting 2014. Davos, Switzerland, January 22 – 25.** This year's edition focused on “Redesigning the world: Consequences for society, politics and business.” CAF's Executive President was a panelist in the session “The new context of Latin America.”
- **Second Summit of the CELAC. Havana, Cuba, January 28 – 29.** CAF reaffirmed its commitment to Latin American integration during the second Summit of the Community of Latin American and Caribbean States (CELAC), where important statements were adopted and Cuba passed the presidency of the group to Costa Rica.
- **Institute of the Americas “Energy Roundtables.” Santo Domingo, Dominican Republic, February 13.** This roundtable was part of a series of energy policy meetings held in various countries of the hemisphere. CAF was also present at the events held in Montevideo (March 18), Santiago de Chile (June 24), Lima (August 26) and Bogota (September 9).
- **CID Speaker Series: Role of Development Banks in Development. Boston, United States, February 14.** CAF's Executive President gave a lecture on the role of development banks at the Center for International Development of the Kennedy School of Government of Harvard University.
- **Latin Trade “CFO Events.” Mexico City, February 18.** This forum was the first in a series that brought together business leaders to exchange views on the outlook for the region's economies. CAF also sponsored events held in São Paulo (August 14) and Medellín (November 18).

- **Steering Committee Meeting of the Council on Foreign Relations in Latin America (RIAL, for its acronym in Spanish).** Santiago, Chile, March 12 – 13. The council meeting brought together former presidents, foreign ministers and former foreign ministers, along with heads of international organizations, academics and experts from the region, to discuss the challenges of international relations in Latin America.
- **Conference on “Latin American Cities.”** São Paulo, Brazil, March 25. Americas Society/Council of the Americas (AS/COA) held a series of conferences in different Latin American cities, with the aim of promoting discussion on key issues for progress in the region, such as growth prospects and the economic outlook, democracy, education, technological innovation and regional integration, among others. CAF participated in the meetings held in Panama (April 1), Mexico (May 12), Bogota (June 11th), Medellin (June 12), Santiago (June 27), Guatemala (14 August), Buenos Aires (August 28) and Lima (November 21).
- **LV Annual Meeting of the IDB Board of Governors.** Costa do Sauipe, Brazil, March 27 – 30. CAF actively participated in the IDB’s annual meeting, including a full agenda of bilateral meetings and discussions on regional economic challenges.
- **IIF Latin America 2014 Economic Forum.** Costa do Sauipe, Brazil, March 29. This meeting was held in the framework of the assembly of the IDB Board of Governors and brought together representatives from financial and corporate sectors to assess the outlook for the economy on a regional level. CAF sponsored the meeting and took part in the panel on “Emerging global challenges and policies necessary for Latin America.”
- **World Economic Forum on Latin America: “Opening roads for shared progress.”** Panama, April 1 – 3. This edition of the WEF convened regional and global leaders in order to assess the challenges facing Latin America in regard to sustaining economic growth and increasing competitiveness. CAF’s Executive President spoke at the session on “Innovative Governance in Latin America” and “Strategic Infrastructure: The Latin American context,” among others.
- **VII World Urban Forum.** Medellin, Colombia, April 5 – 11. UN-HABITAT promotes this biennial meeting to examine the challenges facing human settlements worldwide, particularly the impact of rapid urbanization on communities, economies and climate change, among others. CAF developed a full agenda of activities in this framework to disseminate and enrich its “Future Cities” program.
- **HKS Latin American Conference.** Boston, United States, April 18. Organized by the Kennedy School of Government of Harvard University, this event brought together distinguished persons from the political and academic world, in order to generate a discussion on the challenges of inequality, sustainability and participation of civil society in Latin America’s development.
- **Meeting of the International Development Finance Club (IDFC).** Berlin, Germany, April 17 – 18. CAF plays a leading role in the club of development banks, an organization that brings together major financial institutions seeking to strengthen their participation in the international dialogue on development issues through coordinated action.
- **IV CAF-ILAS Conference: “From informality to development: urbanization, entrepreneurship and competitiveness in China and Latin America,” organized by CAF and the Latin America Institute of the Chinese Academy of Social Sciences.** Beijing, China, April 28. The event promoted analysis and discussion, from a comparative perspective, of the latest research developed by CAF, ILAS and the OECD on entrepreneurship, housing policies and competitiveness in Latin America and China, on the basis of a dialogue between authorities, businesspeople and academics from both countries.



XVIII Annual CAF Conference. Washington, DC, United States, September 3 – 4

- **I CAF-EXIM China Seminar on investment and trade.** Beijing, China, April 29. This event, which brought together representatives of the Chinese government and business leaders, was about analyzing the opportunities for trade and investment between China and Latin America.
- **XLVII Annual Meeting of Asian Development Bank.** Astana, Kazakhstan, May 2 – 5. A CAF delegation attended the premier annual meeting of the Asian multilateral financial institution, an important platform for the exchange of knowledge and rapprochement between strategic partners.
- **IV RIBEI International Conference: “New trends in political and trade cooperation and their regional impact.”** São Paulo, Brazil, May 8 – 9. The Ibero-American Network for International Studies (RIBEI, for its acronym in Spanish) organized this meeting, which was sponsored by CAF, to analyze the evolution of international relations in the region.
- **CAF-Latin Finance Analysts’ Roundtable.** London, UK, May 9. This roundtable allowed CAF to bring together investment bank analysts to exchange views on their international financial strategy.
- **XXIII Annual Energy Conference.** La Jolla, United States, May 21 – 23. This event, organized by the Institute of the Americas, is one of the main arenas for debate among political and business leaders regarding the energy challenges facing the hemisphere.
- **Open Dialogue “Toward a shared future: Spain-Latin America.”** Madrid, Spain, May 19. This roundtable discussion organized by the Ministry of Foreign Affairs and Cooperation of Spain in the Casa de America was held to encourage Iberoamerican intellectuals and experts to analyze relevant aspects of political, economic and social relations between Spain and Latin America.
- **XLIV Annual Meeting of the IDB Board of Governors.** Georgetown, Guyana, May 28 – 29. CAF is an observer of the main annual meeting of the multilateral financial institution in the Caribbean.

- **IV World Cities Summit. Singapore, June 1 – 4.** CAF was present at this global gathering of mayors which sought to reach shared solutions to promote sustainable urban development and improvements in the quality of life in big cities.
- **XLIV General Assembly of the Organization of American States (OAS). Asuncion, Paraguay, June 3 – 5.** The focus of discussion of the Foreign Ministers of the Member States of the OAS was “Development with social inclusion.” In this context CAF also participated in the X Private Sector Forum of the OAS: “The Americas in a Changing World Economic Scenario: The Role of Public-Private Partnerships.”
- **Special Summit of the G-77. Santa Cruz, Bolivia, June 14 – 15.** In the framework of the fiftieth anniversary of the creation of the G-77, Member States and China issued the Declaration of Santa Cruz “For a New World Order in order to Live Well.”
- **The Global Borrowers & Investors Forum. London, June 24 – 25.** CAF sponsored this prestigious forum of investors, organized by Euromoney Conferences, where a special session on investment opportunities in Latin America was developed.
- **I CAF-Oxford-FEDESARROLLO Conference “Institutions and Development in Latin America.” Bogota, Colombia, July 7.** This conference explored the role of political institutions in the development process as well as challenges for the formulation and implementation of more equitable and efficient public policies in Latin America.
- **IX International Conference of Economic Studies. Cartagena de Indias, Colombia, July 8 – 9.** This meeting, organized by FLAR, focused on the analysis of macroeconomic fundamentals in Latin America, with an emphasis on financial stability and inflation targets.
- **Discussion “Latin America in an era of globalization.” Montevideo, Uruguay, July 16.** In the framework of the presentation of the book “Latin America in an era of globalization: Essays in honor of Enrique V. Iglesias,” a discussion was held between the former IDB President Enrique Iglesias and CAF Executive President Enrique García.
- **II Latin America - Australia Investors Forum (LA-AIF). Sydney, Australia, July 22 – 23.** This forum provided a new opportunity to promote trade and investment between Australia and Latin America.
- **XLVI Meeting of the Common Market Council and the Summit of Heads of State of Mercosur and Associated States. Caracas, Venezuela, July 28 – 29.** CAF attended the summit in order to reaffirm its support for the process of subregional integration.
- **I Latin America - South Africa Investors Forum (LA-SAIF). Johannesburg, South Africa, August 12.** . CAF was, for the first time, the main sponsor of an event on the African continent, focused on promoting economic relations between South Africa and Latin America.
- **2014 American Innovators. Medellín, Colombia, August 21.** CAF supports this initiative, which rewards the best innovations in the region, in order to encourage creativity and entrepreneurship among Latin Americans.
- **VI Bolivian Conference on Economic Development. Cochabamba, Bolivia, August 28 – 29.** CAF’s Executive President gave a lecture as part of this event, which was organized by the Bolivian Academy of Economic Sciences.
- **XVIII Annual CAF Conference, organized by CAF, the Inter-American Dialogue and the OAS. Washington, DC, United States, September 3 – 4.** Over a thousand political leaders, senior officials, academics, journalists and representatives of civil society in the Americas, Europe, Africa and Asia analyzed the main political and economic trends in Latin America; energy challenges; hemispheric



20th edition of the BRAVO awards. Miami, United States, November 7

relations; social innovation; the gender agenda; the situation in Cuba and Haiti's future. The keynote address was given by Felipe Calderón, former president of Mexico.

- **VIII Latin American and Caribbean Forum on Carbon (FLACC, for its acronym in Spanish).** Bogotá, Colombia, September 3 – 5. This event brought together international experts to discuss the latest developments in the implementation of international policies on climate change and sustainable development, with an emphasis on low-carbon development and emissions trading schemes.
- **Presentation of CAF's Economy and Development Report (RED 2014).** Bogotá, Colombia, September 8. The University of Los Andes hosted the launch event of the CAF's RED 2014 "For a safer Latin America: a perspective on crime prevention and control." This publication seeks to promote opportunities for reflection and discussion concerning the design and implementation of better public policies in the area of security.
- **China Business Summit VIII - Latin America.** Shanghai, China, September 12 – 13. CAF was present at this event organized by the IDB and the China Council for the Promotion of International Trade, which brought together business leaders and government officials to exchange ideas and experiences on strategic issues for the identification of business opportunities between China and Latin America.
- **III Latin America - Korea Investors Forum (LA-AIF).** Seoul, Republic of Korea, September 16. LatinFinance invited entrepreneurs, investors and government representatives from Latin America and South Korea to assess key sectors with the potential to increase investment between the two countries.
- **LXIX Session of the UN General Assembly.** New York, United States, September 21 – 24. CAF participated as an observer in the General Debate and high-level meetings of the governing body of the United Nations. It also took part in the 2014 Climate Summit convened by the Secretary General.
- **CAF-University of Toronto Seminar on Development and Infrastructure.** Toronto, September 25 – 26. The University of Toronto conducted a seminar to

promote ties with Canadian businesspeople and academics interested in sustainable urban development in Latin America.

- **Canning House Annual Conference: “Latin America: Integrating or Diverging .”** London, UK, October 1. The event focused on regional integration processes and the impact of old and new trading blocs on Latin America’s development.
- **Latin-Asia Business Dialogue.** Singapore, October 1 – 2. CAF and IESingapore, the state agency for investment promotion, designed this space to foster dialogue and the exchange of information aimed at promoting investment opportunities for Singapore in Latin America, with emphasis on the infrastructure sector.
- **VIII Competitiveness Forum of the Americas.** Port of Spain, Trinidad and Tobago, October 8 – 10. The countries of the hemisphere met to exchange knowledge on strategies to stimulate innovation and strengthen competitiveness in the framework of this annual event, which CAF sponsors every year.
- **VI Meeting of Finance Ministers of the Americas.** Washington, DC, United States, October 8. This meeting sought to foster coordination among policymakers in order to face the challenges of the global environment.
- **Annual Meeting of the International Monetary Fund (IMF) and World Bank (WB).** Washington, DC, United States, October 10 – 12. CAF once again attended the annual meeting of major multilateral institutions, which assessed the state of the financial markets and the global economic outlook.
- **2014 IIF Annual Membership Meeting.** Washington, DC, United States, October 10 – 11. As part of the annual meetings of the IMF and World Bank, the Institute of International Finance, sponsored by CAF, invited senior representatives from key financial and business sectors to discuss the outlook for the global markets.
- **Global Meeting of the Emerging Markets Forum.** Virginia, United States, October 12 – 14. CAF’s Executive President co-chaired this forum composed of leaders from the public and private sectors in emerging countries, to analyze the challenges of globalization.
- **Conference “Investing in Latin America: Opportunities and Lessons Learned .”** Beijing, China, October 16. Organized by the Institute of the Americas and the ILAS, sponsored by CAF, the event reviewed the lessons learned by Chinese companies investing in Latin America, with emphasis on the energy sector.
- **II Latin American Meeting of Think Tanks.** Rio de Janeiro, Brazil, October 16 – 17. The Getulio Vargas Foundation gathered representatives of the main Latin American think tanks at its headquarters in order to promote debate on public policies in the region.
- **IV Multilatinas Forum.** Mexico City, October 21 – 22. Organized by AméricaEconomía, sponsored by CAF for the second consecutive year, this forum brought together the most internationalized Latin American companies to discuss issues related to their role in the integration processes, development of regional infrastructure, expansion of financial markets and the economic outlook for Latin America, among other issues.
- **II Conference CAF-Oxford University “The emerging middle class in Latin America: Causes, Challenges and Opportunities .”** Oxford, UK, October 31. This meeting sought to analyze the main challenges and opportunities of the emergence of the middle classes in Latin America, with the participation of over 250 experts, executives from the public and private sectors, businesspeople, academics and students.
- **Ideas Economy: Mexico Summit.** Mexico City, November 5. This conference, organized by The Economist and sponsored by CAF, aimed to create a high-level

debate on key aspects of the reforms carried out by the government of Mexico to strengthen the country's competitiveness.

- **Latin Trade Symposium. Miami, United States, November 7.** The annual forum of Latin Trade magazine brought together political and business leaders to assess the main economic challenges facing the region. This occasion was the 20th edition of the BRAVO awards, in which CAF was distinguished for its support to SMEs in Latin America.
- **Atlantic Energy Forum. Cancun, Mexico, November 8 – 9.** Members of the Atlantic Basin Initiative promoted the creation of this space to promote dialogue and cooperation on energy issues among the countries of the Atlantic hemisphere.
- **X Sol Linowitz Forum. Washington, D.C., United States, November 13.** This forum provides a space for discussion among the members of the Inter-American Dialogue—experts and political leaders—on relevant hemispheric issues such as strengthening democracy, economic and social development and promoting inter-American cooperation.
- **III Academic Forum China-Latin America. Santiago de Chile, November 24 – 25.** The Andrés Bello University and the ILAS organized the event, which was sponsored by CAF, in order to address, economic, social and cultural political relations between Latin America and China.
- **Conference of the Parties to the UN Framework Convention on Climate Change (COP 20). Lima, Peru, December 1 – 12.** CAF developed a full agenda of activities during the crucial international meeting aimed at seeking progress in negotiations for a binding agreement on climate change.
- **Annual Meeting of the RIAL Council . Nuevo Vallarta, Mexico, December 4 – 5.** . Leading experts in Latin America's international relations met to review the global agenda of the region.
- **XXIV Ibero-American Summit of Heads of State and Government. Veracruz, Mexico, December 8 – 9.** CAF attended the summit focused on the themes of education, innovation and culture for Iberoamerica in the 21st century.
- **XLVI Meeting of the Common Market Council and the Summit of Heads of State of Mercosur and Associated States. Entre Rios, Argentina, December 16 – 17.** CAF participated as an observer in this meeting which gave a significant boost to the process of subregional integration.



Knowledge sharing

CAF PUBLICATIONS ARE FULLY ALIGNED WITH THE INSTITUTION'S COMPREHENSIVE DEVELOPMENT AGENDA FOR THE REGION, ENSURING ITS DISSEMINATION AND IMPLEMENTATION. THE TITLES PUBLISHED IN 2014 ARE AVAILABLE AT scioteca.caf.com.



For a safer Latin America. A new perspective on crime control and prevention

Economy and Development Report 2014

This new edition of the Economy and Development Report (RED) proposes an approach to the analysis of the lack of public safety as the result of decisions made by individuals in a particular context. While it is true that the beliefs, perceptions, self-control, and other personality traits can push an individual to commit a crime, the physical and social environment, the incentives provided by the existence of illegal markets (e.g., drugs), and the credibility and efficiency of the criminal justice system are just as important.

No. of pages: 264
Language: Spanish
ISSN: 980-6810-01-5



Toward Latin America's digital transformation: ICT infrastructure and services in the region

This report is the result of research and analysis carried out in 16 countries in Latin America and the Caribbean, in an effort to assess the impact of ICT on the current situation from two perspectives, on the one hand, ICT adoption by the productive, social and institutional structures of the country; and, the other, the performance of the ICT industry itself, with a special emphasis on broadband. The report also proposes a program of action for the region, aligned with international best practices.

No. of pages: 300
Language: Spanish
ISBN: 978-980-7644-26-6



Building more equitable cities. Public policies for inclusion in Latin America

This publication presents some of the fundamental principles that cities can adopt in order to promote greater equality in their areas: a strategy for sustainable urban planning, laws and institutions for equality, and a local strategy to create economic opportunities for everyone.

No. of pages: 258
Language: Spanish
ISBN: 978-92-1-132605-5



Latin America in an era of globalization. Essays in honor of Enrique V. Iglesias

This publication contains a series of essays written by well-known figures who have contributed to Latin America's development in tribute to Enrique Iglesias, former chairman of the Central Bank of Uruguay and minister of foreign affairs; executive secretary of the Economic Commission for Latin America and the Caribbean (ECLAC); president of the Interamerican Development Bank (IDB); and the secretary general of the Ibero-American Secretariat General.

No. of pages: 301
Language: Spanish
ISBN: 978-0-9903630-0-2



Guide on road safety

These guidelines are part of the joint effort of multilateral development banks to share tools and procedures on road safety, in order to increase their impact on different countries.

No. of pages: 16
Language: Spanish and English
ISBN: 978-980-7644-44-0

Expansion of regional infrastructure for the interconnection of Internet traffic in Latin America

The overall objective of this study is to contribute to the development of Internet interconnection infrastructure in Latin America, through the revision of the goals of establishing regulatory bases and public policy to promote investment and the use of Internet exchange points (IXP); the definition of economic, technical and operational factors involved in the development and consolidation of a greater IXP infrastructure to promote the efficient exchange of regional Internet traffic; and the promotion of different IXP alternatives and business models in the region along with their corporate, operational and governance models, among others.

No. of pages: 238
Language: Spanish
ISBN: 978-980-7644-21-1

Regulation of foreign direct investment in Latin America. Regulations and options for investment climate reforms

This report focuses on five regulatory areas directly tied to foreign direct investment (FDI), comparing regimes in different countries and identifying best practices in countries that have been successful in attracting large volumes of FDI flows. Reforms in these areas are an option for governments to consider if they want to continue to attract FDI that could contribute to improved productivity and, ultimately, to continued economic growth in the region.

No. of pages: 168
Language: Spanish
ISBN Volume: 978-980-7644-18-1
ISBN Complete Works: 978-980-6810-67-9

Latin American multinationals. The cases of Brazil and Chile

This paper analyzes in depth the performance of Latin American multinationals focusing on the experience of Brazil and Chile. Latin American multinationals, multilateras in Spanish, are leading companies from the productive sectors in their countries of origin, as well as in the new markets where they operate, displacing domestic firms.

No. of pages: 104
Language: Spanish
ISBN Volume: 978-980-7644-52-5
ISBN Complete Works: 978-980-6810-67-9



CAF art collection

CAF's permanent art collection is representative of the main exponents of modern and contemporary Latin American art and is an ongoing effort that aims to evolve and grow to reveal the region's richness and cultural diversity.

No. of pages: 212
Language: Spanish
ISBN: 978-980-6810-94-5

Dynamic ventures in Latin America. Progress in practice and policy

This paper summarizes the current efforts underway in the region in regard to dynamic ventures, showing first the general elements of these undertakings and ecosystems; second, it presents the current situation in several countries in Central and South America; and third, examines the policies that drive dynamic entrepreneurship.

No. of pages: 88
Language: Spanish
ISBN Volume: 978-980-7644-53-2
ISBN Complete Works: 978-980-6810-67-9

Report: Adaptation measures and projects. Exploring funding opportunities

This publication documents the workshop on "Adaptation measures and projects. Exploring funding opportunities" conducted by CAF to understand the state of progress of countries' adaptation plans; share experiences with adaptation projects and measures already identified; and discuss opportunities and financing programs for adaptation to climate change.

No. of pages: 122
Language: Spanish
ISBN: 978-980-7644-54-9

The growing but vulnerable middle class in Latin America. Expansion patterns, values and preferences

The study attempts to quantify the rapid growth of the middle class in Latin America, from the standpoint of income. It also explores the subjective determinants of the sense of belonging to the middle class, as well as some value dimensions that characterize it.

No. of pages: 76
Language: Spanish
ISBN Volume: 978-980-7644-60-0
ISBN Complete Works: 978-980-6810-67-9



2014 Global microscope: Analysis of the environment for financial inclusion

This report analyzes the regulatory environment for financial inclusion based on 12 indicators in 55 countries. The report uses a new set of indicators that take into consideration other products and institutions whose approach goes beyond microfinance to reflect financial inclusion in a broader way.

No. of pages: 87
Language: Spanish
and English



Development of the CAF Strategic Program for Climate Change Mitigation

This strategic report aims to help CAF develop the structure and focus of its new program on the Mitigation of Climate Change for 2015 – 2017. The strategy is aligned with CAF's vision, mission and objectives in this area and ensure that the institution continues to have a leading role in mitigation activities in the region.

No. of pages: 72
Language: Spanish
and English
ISBN: 978-980-7644-63-1



Andean biotrade: Fifteen success stories in Colombia, Ecuador and Peru

The publication is the result of the cumulative experience acquired by the Andean Biotrade Project organized by CAF UNEP-GEF. In this collection of 15 case studies, including good practices and lessons learned, three key aspects are revealed: (1) the conservation of biodiversity, (2) economic inclusion, and (3) the competitiveness of the initiatives committed to the business model proposed by biotrade.

No. of pages: 146
Language: Spanish
and English
ISBN: 78-612-46803-0-4



Guide to the management of water resources in mountain watersheds under the effect of climate change

The paper systematizes the process to be followed to identify the availability of water in a basin, taking climate change into account. To ensure the proper use of water sources through the comprehensive management of the basin, the methodology also provides elements that allow for the mitigation of the effects of climate change deploying an “adaptation” approach.

No. of pages: 216
Language: Spanish
ISBN: 978-980-7644-84-6



Index of vulnerability and adaptation to climate change in Latin America and the Caribbean

Vulnerability to climate change is a multidimensional issue subject to the influence exerted by a broad range of underlying factors. This study seeks to explain how vulnerability to climate change varies throughout Latin America and the Caribbean, and why these variations occur.

No. of pages: 212
Language: Spanish and English
ISBN: 978-980-7644-61-7



CAF in Argentina: initiatives for inclusive development

The publication outlines CAF's activities in Argentina. Within the framework of its mission to promote sustainable development and regional development, it seeks to be a strategic partner for the country on the road toward overcoming the challenges Argentina faces.

No. of pages: 212
Language: Spanish
ISBN: 978-980-6810-97-6



Forestry program

This document presents the concept of CAF's Forestry Program. This initiative represents an ideal opportunity to show how synergetic conservation and productivity are, simultaneously viable, provided that the activities and processes developed from forestry resources are clearly committed to environmental and economic social sustainability over time.

No. of pages: 117
Language: Spanish
ISBN: 978-980-7644-02-0



Art and culture

MINDFUL OF THE TRANSFORMING POWER OF ART AND ITS POTENTIAL IN LATIN AMERICA'S CULTURAL INTEGRATION, THROUGHOUT CAF'S HISTORY, THE INSTITUTION HAS BEEN A STEADFAST PROMOTER OF THE EXCHANGE AND PROMOTION OF ITS PARTNER COUNTRIES' ART AND CULTURE.



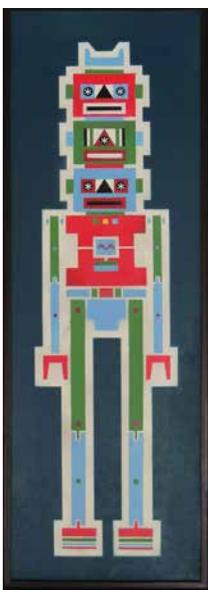
"Orfea" by Maria Bonomi



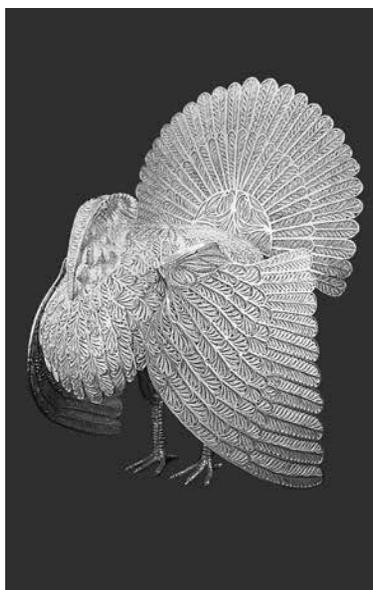
"Untitled" by Luis Richter



"Feather art" Photograph: Heidi King



"Robot" by Flix



"Pavo cofre" (Spanish for Turkey coffer)

CAF has two spaces for regional arts promotion: CAF Gallery in Caracas, Venezuela, and Artespacio in the CAF building in La Paz, Bolivia.

CAF Gallery hosted three expositions in 2014: the XV Luisa Palacios Biennial of Graphic Miniatures, "Peruvian Silver Threads" and "Fresh Paint."

Artespacio's expositions open to the public included "Shining," Beatriz Nogales; "Installation," Elba Bairón; "Andean faces," Gabriel Barceló; VIII Long Night of Museums; "Wandering Mapping," Adriana Bravo; "I touched the stones with my hands," Ramon Tito; "Zapatovis + boxes of knicknacks+ negative paintings," Roberto Valcárcel; "Sounds of the imagination," Rosmery Quispe; "Feather art in the Andes, continuity and innovation" by German researcher Heidi King; "Encounters with the Holy Robe of Christ," Sandra Boulanger; and "Objects," Alfredo La Placa, Katya Astete, Andrés Bedoya, Carmen Bilbao, Daniela Rico and Alejandra Vaca.

Special report

A WATER AGENDA FOR SOUTH AMERICA: OUTLOOK, CHALLENGES AND STRATEGIES

General context of the nine countries in the report: Argentina, Bolivia, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay and Venezuela

Evolution of the supply of water and sanitation services

Role of local governments, economies of scale

Sector information

Financing

Outlook for drinking water and sanitation services
in South America in 2030



A WATER AGENDA FOR SOUTH AMERICA: OUTLOOK, CHALLENGES AND STRATEGIES



Access to drinking water and sanitation is a critical factor to overcome social inequality levels and to ensure the development of societies. With this in mind, since 1997, the World Water Council has promoted a collaborative process to address major water challenges worldwide, presenting the result every three years, at the World Water Forum. This high-visibility event is the most important global meeting for the water sector, where the global water community, including policy and decision makers from every region around the world, can work together to find shared solutions with the academic community, businesses and civil society.

In its capacity as generator of knowledge for the region, CAF was invited to coordinate the regional process for several Latin American countries: Argentina, Bolivia, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay and Venezuela. As part of the VII World Water Forum held in the Republic of Korea in April 2015, CAF presented the paper “A water agenda for South America: Challenges, vision and strategy.” For the drafting of the publication, key water stakeholders throughout North and South America, along with representatives of various sectors involved in water issues, were consulted about how they would rank priority topics, with the following result: (i) water and sanitation for everyone, (ii) water and energy, (iii) water and food security; (iv) climate change adaptation and risk management; (v) ecosystem management; and (vi) governance and finance for sustainability.

This section summarizes the most pertinent conclusions of the report, along with CAF’s main recommendations made at the VII World Water Forum.

**General context of the nine countries in the report:
Argentina, Bolivia, Chile,
Colombia, Ecuador, Paraguay,
Perú, Uruguay and Venezuela**

By 2015, the population of the nine countries studied will be 210 million, which represents approximately 3% of the world’s population and 34% in Latin America. The lion’s share, 81% or 170 million people, represents the urban population, which, according to estimates, will continue to grow and increase in

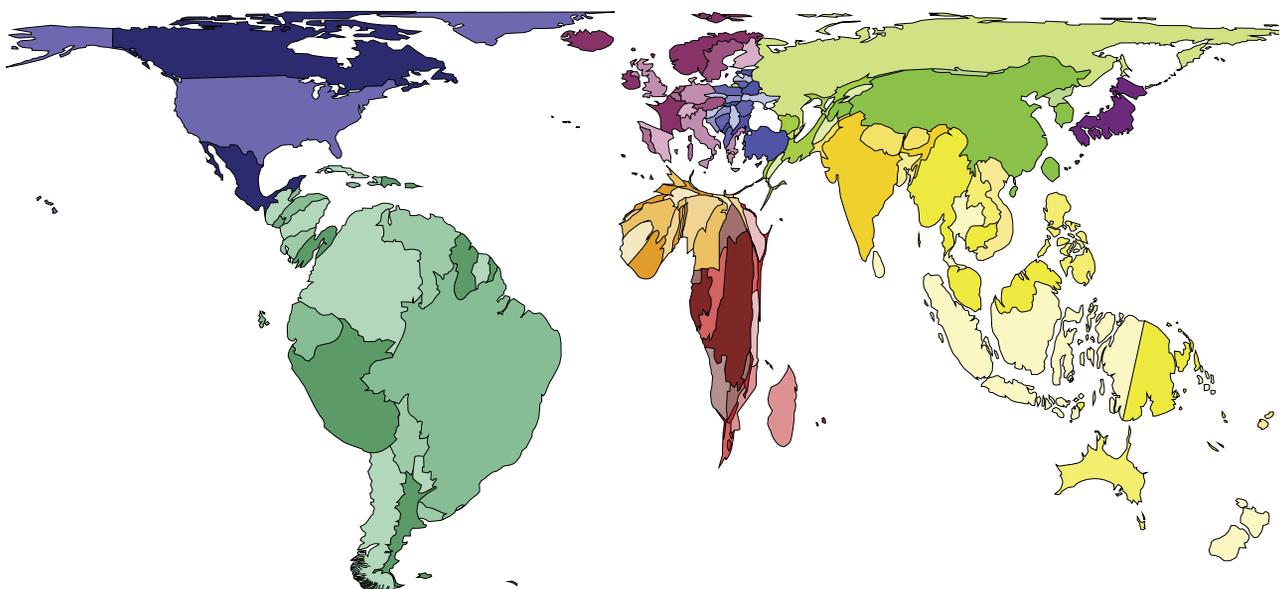
AVERAGE ANNUAL AVAILABILITY OF WATER RESOURCES, WHICH IS IN THE ORDER OF 43,800m³ PER CAPITA, IS SUBJECT TO SHIFTS IN TIME AND SPACE

proportion to the total, to reach 82.1%, equivalent to 182 million in 2020, then rising to 83.4%, to reach 204 million in 2030. Public policies in these countries should continue to take into account this reality and focus on investments and action in the region's urban centers without neglecting rural populations, which will remain stable at 39 million.

The land area of these countries is 8.8 million km², over a variety of climates, due to the scale of latitudes occupied and the temperature difference between the Atlantic Ocean to the east and the Pacific Ocean to the west. The average rainfall of 1,500 mm per year has a fairly heterogeneous distribution. The Andes, which extend north to south, act as a barrier to the movement of moisture from both oceans. The wettest parts of the world, like Chocó (Colombia) and the driest, like the Atacama Desert (Chile) are found between the Andes and the Pacific Ocean. The region has large river basins (Amazonia, del Plata, Orinoco and Magdalena), large lakes (Maracaibo and Titicaca), about 25,000 km² of glaciers and 3 million km³ of groundwater reserves, including the Guarani aquifer.

The average annual availability of water resources, in the order of 43,800 m³ per capita, is subject to strong variations in time and space. At the country level, this indicator fails to reflect the situation of imbalance between water availability and the location of demand related to water that occurs in large parts of Argentina, Bolivia, Chile, Peru and Venezuela, as a result of the uneven distribution of water resources, population and economic activities. For example, in Peru, 63% of the population is settled along the Pacific coast, with only 1.76% of water availability. This heterogeneity is also reflected in the wide variety of biogeographic regions, jungles, rainforests, temperate and sub-Antarctic forests, mangroves, paramo, savannas and deserts.

MAP 1 **WORLD WATER RESOURCES**



Source: United Nations Environment Programme. Centimeters of water per year (cm³ of water per cm² of land area).

THE IMPACT OF DISASTERS CAUSED BY WATER AND CLIMATE-RELATED PHENOMENA IS GROWING, DUE TO THE INCREASE IN THEIR FREQUENCY AND SEVERITY AND THE VULNERABILITY OF SOCIETIES, ESPECIALLY THOSE THAT SURVIVE IN EXTREME CONDITIONS.

In relation to climate variability and change, given the size and diversity of the physiographic features of the sub-region and the influence of both oceans flanking it, very different situations may arise in terms of temperature increase and, consequently, evaporation, and how this can be offset by the increase or decrease in rainfall.

There are two atmospheric-ocean phenomena, known as El Niño and La Niña. They occur cyclically for varying periods of 2-7 years and substantially affect the region. They have a higher incidence in the Pacific Ocean and the surrounding area, to the latitude of Ecuador, but their effects are regional and global reach, transforming the state of the climate of much of the planet.

The impact of disasters caused by water and climate-related phenomena is growing, due to the increase in their frequency and severity and the vulnerability of societies, especially those that survive in extreme conditions. As a result of these disasters, environmental degradation and water pollution compound those caused by everyday household activities (untreated sewage) and productive activities (inadequate industrial processes, misuse of fertilizers and pesticides in agriculture, etc.).

The nine aforementioned countries have, in recent years, achieved considerable progress in terms of economic and political stability, taking on an increasingly important role in the global and regional context.

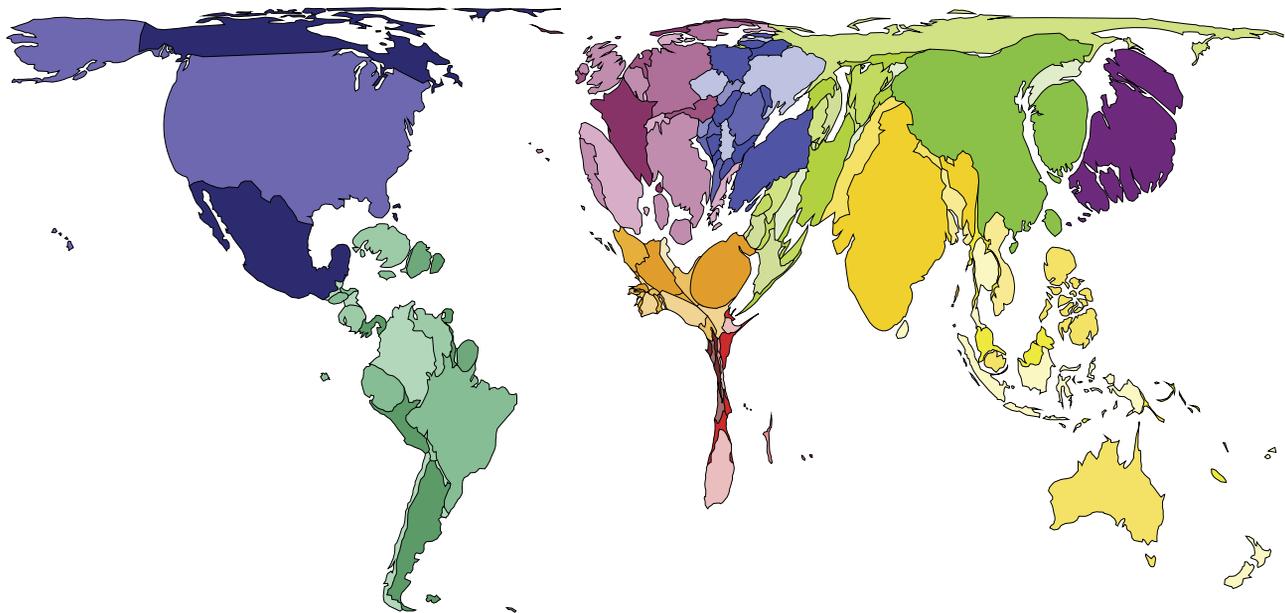
However, after a decade of economic boom, starting in 2013 most countries began to register lower growth due to a slowdown in external demand, weakening commodity prices of the main raw materials, greater volatility in international financial markets and a fall in domestic consumption. Despite this, a group of nations maintained a rate of growth above 4% in 2014.

With respect to the Human Development Index (HDI), values vary widely, ranging from 0.667 to 0.822. Meanwhile, in 2012, the average poverty index was 34.6%, with only two countries with a poverty level lower than 20%. However, the commitment in recent years to address this persistent problem is noteworthy; a substantial reduction has been achieved and a middle class has emerged, which poses new challenges, like the demand for efficient and quality public services.

Evolution of the supply of water and sanitation services

Overall, significant improvements have been made since 2000 in the quality and coverage of water and sanitation in all nine countries. Almost all urban households now have running water in their homes. These improvements were supported by increased investment in infrastructure, which enhanced the quality of life for the majority of the urban population. However, analysis of the data reported to the Joint Monitoring Program (WHO - UNICEF, 2014) shows that there are still 14.4 million people with no access to an improved source of drinking water, and 32.4 million who do not have hygienic facilities to evacuate their excreta.

MAP 2 WATER FOR RESIDENTIAL USE



Source: world development indicators from the World Bank. Cubic meters of water for residential use per person per year.

However, indicators in these reports are based on different definitions of infrastructure without considering the quality of service; this understanding of coverage creates distortions in the statistics. Indicators are not designed to report compliance with health regulations in terms of the intermittency of service or water quality. Therefore, the actual number of people without access may be higher. It is observed that drinking water in homes still show significant deficiencies in meeting health standards and providing services on a continuous basis at appropriate pressures, seven days a week, 24 hours a day. These chronic deficiencies have an asymmetric and unfair effect on rural and vulnerable urban populations on the outskirts of cities. At the same time, less than 30% of the wastewater generated in households in this region receives some form of treatment before being discharged back into the environment.

Against this scenario, the need for improvements in the infrastructure and management of urban drainage to prevent flooding must also be assessed. In the countries of the region under study, this aspect tends to worsen as a result of increased climate variability. The strategy to address the occurrence of catastrophic events must be integrated with the management of watersheds and urban planning. Decisions to correct problems of urban flooding should be long term and carried out in parallel with structural measures, common policies for the soil and water use, and the technical and economic accounting of runoff volumes that are increasing exponentially with urban waterproofing.

THE STRATEGY TO ADDRESS THE OCCURRENCE OF CATASTROPHIC EVENTS MUST BE INTEGRATED WITH THE MANAGEMENT OF WATERSHEDS AND URBAN PLANNING.

Role of local governments, economies of scale

In recent decades, local governments have played an increasingly important role, due to a growing decentralization of powers and responsibilities. Central governments have been making more budget transfers to regional and local governments, delegating responsibilities in the field of water and sanitation services. A review of the management of local and sub-national entities in the provision of water and sanitation services in the nine countries under study shows different success rates depending on the size of the population.

Latin American cities with over 300,000 inhabitants represent a group of 81 cities with a total population of 106 million estimated for 2015. In these cities the managing entities of services have a reasonable technical and managerial capacity. In this group, there are examples of fairly successful models of the provision of services in terms of coverage and continuity, although some cities report deficiencies that are reflected in an intermittent supply of drinking water for a majority of the population, breach of quality standards and high levels of water losses in networks of up to 40% of the treated water distributed. With 25% of urban informality, achieving water supply and sanitation in informal settlements and preventing the exclusion of these populations with limited resources represents a major challenge in these urban segments.

Medium and small cities with less than 300,000 inhabitants, a group that includes a large number of cities with a projected population of 64 million in 2015, represents the true challenge for providing services in the region under study, where results and operational indicators are precarious at best, and where technical and managerial skills are generally low. This group is comprised of 95% of the municipalities in the countries under study, which are faced with the responsibility of providing water and sanitation services for these populations.

The enormous fragmentation of drinking water and sanitation service providers, which translates into a universe of tens of thousands of agents of various sizes throughout the region, without any attention as to their ability to operate at sufficient economies of scale, may hold significant explanatory weight to unravel this dilemma. The structural rigidity for introducing competition between operators at horizontal and vertical levels complicates the situation even more.

Rural municipalities are facing still greater challenges when it comes to meeting the needs of small, scattered populations. Within the area of study, there are approximately 39 million inhabitants in this population group, distributed in rural centers and very small urban populations. Here the service-provider model is usually organized through community organizations for water and sanitation services (known as OCSAS, for the acronym in Spanish) with groups of neighbors forming social structures in areas not reached by service providers from the cities.

These organizations are self-governing and direct their efforts to establishing systems for collection, purification, distribution and payment for the service. They are managed with a strong local oversight, collaboration of volunteers, far removed from the monitoring and control of the regulatory entities. This service-provider model has been fairly successful at increasing coverage in rural areas. The OCSAS have evolved in terms of their partnerships, improving competencies and gaining empowerment as essential entities for the development of their community.



In recent decades, local governments have played a more important role due to greater decentralization of power and responsibilities.

Sector information

The lack of reliable information on the broad issue of water and sanitation is the norm in many Spanish-speaking South American countries. There is no accurate record of the quality of water, sewerage networks, wastewater treatment, nor has an accurate assessment of the quality or vulnerability of water sources or the threats affecting them been completed. This is a major shortcoming for these countries given that in order for regulation and public policy to be effective, reliable, consistent, timely and quality information must be available so that good decisions can be made. Transparency among different stakeholders is needed so they can monitor compliance with rules and tariffs, thereby ensuring accountability of operators and regulators.

Financing

Financing for drinking water and sanitation services has been, and still is, a critical and unresolved problem in many countries of the region under study. Across the board, it can be said that the billing of services does not cover the costs of operation and maintenance, much less investment. Infrastructure financing has mainly come from public funds; there is a commitment from governments of South American countries to improve the coverage and quality of potable water and sanitation.

Outlook for drinking water and sanitation services in South America in 2030

The outlook for drinking water and sanitation services in 2030 is expressed in terms of reducing inequities: “Confer the entire population drinking water and sanitation services in their homes without interruption, with the capacity to maintain the sustainability and balance of ecological environment to improve the quality of life of current and future inhabitants.”

The specific goals proposed are shown more explicitly below:

Service	Target 2030
Drinking water	100% coverage
Sewerage	94% coverage
Purification	64% purified
Drainage	85% of urban area
Water sources	100% of the incremental demand
Formalize WSS connections	50% reduction of gap, 20 million households

CAF (2013) has estimated that the investment in infrastructure needed to achieve the goals set for 2030 in all Latin American countries is around USD 12.5 billion a year, equivalent to 0.31% of 2010 GDP in the region, for a total of USD 250 billion.

Governments and political sectors need to get involved if these goals are to be achieved. They will require consensus among sector-financing stakeholders, including the private sector, cooperation and funding agencies and civil society. Interest in strengthening institutions or service providers will also be needed in order to successfully invest the necessary financial resources to build water infrastructure and improve the relevant legal and regulatory framework.

IN REGARD TO UNIVERSAL ACCESS TO WATER AND SANITATION AS WELL AS THE REST OF THE ISSUES EVALUATED IN THE PROCESS A LIST OF PRIORITY MESSAGES WAS DEVELOPED IN COORDINATION WITH THE EXPERTS AND ENTITIES CONSULTED, AIMED TO GENERATING DIALOGUE ON THE PRIORITY THEMES FOR THESE NINE COUNTRIES:

Water and sanitation for everyone

- 116 million people (50% of the total) live in cities of over 300,000 inhabitants and report high levels of coverage. Potable water and sanitation services are in the hands of companies with reasonable technical and managerial capacity. The most serious delivery problems affect 113 million (50% of the total) in medium and small cities (64 million) and concentrated and dispersed rural areas (39 million).
- Excessive fragmentation of operators. Medium and small cities suffer because service providers do not have the economic scale to deliver financially sustainable services.
- Lack of financing and absence of suitable projects. Suitable projects and technologies are needed to secure funding to meet growing infrastructure needs and ensure a better allocation of resources.

Water and energy

- Countries will continue to rely on hydroelectricity. Interruptible unconventional energy sources like wind and solar need to be supplemented with hydroelectric generation.
- The electricity sector should internalize hydrological uncertainty. Climate change affects the availability of water flows for hydroelectric generation.
- To develop the hydroelectric potential, environmental and social conflicts must be addressed through negotiation.

Water for food security

- The productivity of water in agriculture is the key. Productivity improvements in agriculture require interventions at every linkage of the value chain, from the way plants use water to international trade.
- Efficiency of how plants use water. Significant progress has been made that improves the efficiency with which plants use water; this factor increases their productivity.

Change adaptation and risk management

- The development and effective implementation of climate information is an important challenge for the water sector in the region. An effective response to this challenge must integrate the needs of users of climate services and develop competencies of the current and the next generation of scientists, professionals, administrators and policy makers.
- Improved research capacity, education and local development need to be supported through co-production of applications, tools and decision-making processes. The development and implementation of hardware (infrastructure) and software (policy and institutional support) is necessary.

Ecosystem management for people and nature

- It is necessary to foster respect for ecosystems at a national level. There are examples of efforts underway, but they need to become more widespread and better organized.
- The role of green infrastructure should be highlighted and analyzed in all development projects.
- The experience of water funds and other initiatives is encouraging and lends hope that their scope will be expanded.

Governance and funding for sustainability

- In relation to water resources, governance includes elements that determine their contribution to the economy and their capacity for generating financial resources for water management, whether indirectly (public budget) or via payments earmarked for the entity that manages the funding.
- Regulation of state-owned companies that supply drinking water and sanitation services. The demand for the efficiency of companies in the water sector is a principle anchored in the main legal systems worldwide, to the point that it should be considered a general principle of law for the economic regulation of public utilities.

CAF'S INTERNAL MANAGEMENT

Throughout 2014, CAF continued to realign its business processes in order to improve administrative efficiency and optimize the impact of the institution's contributions for the benefit of sustainable development and integration in Latin America. This institutional realignment was driven by a sector management strategy and emphasized the systematization of knowledge as an asset with a measurable value just like a financial asset.

To this end, over the course of the year, CAF implemented several adjustments to the institution's organizational structure to adapt it to the new model. In this regard, an effort was made to strengthen the presence and participation of regional hubs north and south, with both human and technological resources, to promote greater synergies between country offices and headquarters. As part of this process, CAF opened a representative office in Mexico City, which will aim to strengthen the presence of the institution in that country and in the northern part of the Latin American region.

At the same time, several advances were made in 2014 in terms of CAF's offices in the region: work was completed on the architectural and urban project for the construction of the new headquarter offices in Caracas and the new headquarters in the southern region, in Montevideo; public tenders were organized to request proposals for the architectural design of CAF's new northern region headquarters in Panama, and to select the firm to oversee the construction of the headquarters in Montevideo. Similarly, the works needed for the offices in Bolivia to obtain the LEED certification (Leadership in Energy and Environmental Design) were completed.

In regard to the management of human capital, CAF strengthened its Annual Incentive Program (AIP) through outreach activities and review of the indicators, and its corporate internship program for undergraduate and graduate professionals/undergraduates and graduates, whereby more than 50 interns and institutional exchange staff were brought in to work in different areas at CAF headquarters and regional offices. In 2014, the sixth generation of professionals was selected from graduates with the highest academic performance from prestigious universities throughout the region for the Program for Developing Professionals (PRODES, for its acronym in Spanish). Work was also undertaken to expand the supply of face-to-face and remote training courses from the CAF's Virtual University (UVCAF, for its acronym in Spanish), with more than 160 graduates since its inception who have received their degrees from Instituto Tecnológico de Monterrey in Mexico and the Open University of Catalonia in Spain, among others.

In technology and operations, technologies were selected to support the credit and funding process, a system was chosen for the assessment of equity investments and several web portals were developed to support business management, including one for technology patents for CAF's energy area. As for technology infrastructure, a new backup system was launched; the information transfer and replication platform was updated; and the networking components

CAF CONTINUED REALIGNING ITS BUSINESS PROCESSES AIMED AT IMPROVING ADMINISTRATIVE EFFICIENCY AND OPTIMIZING THE IMPACT OF ITS CONTRIBUTIONS TO BENEFIT SUSTAINABLE DEVELOPMENT AND INTEGRATION IN LATIN AMERICA.



between country offices and headquarters were reconditioned. Throughout the year different activities were carried out, such as the incorporation of technological support facilities for internal communications with customers, suppliers and telecommuting, including an overhaul of the videoconferencing and instant messaging platform and a technological modernization of the meeting rooms.

CAF's activities related to comptrollership and auditing focused on a constant search for best practices to strengthening internal processes and controls, among them bolstering the management of the System of Prevention and Detection of Money Laundering, and updating the Business Continuity System Management under the BSI 25999 standard, which kicked off a transition process to the new ISO 22301. In regard to internal audits, thanks to the improvements implemented, CAF achieved the International Quality Certification for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. In addition, the ISO 9001:2008 certification for the Quality Management System of the Comptroller and Audit was renewed.

In order to drive improvements in the design, evaluation and implementation of programs and projects in Latin America, 12 technical training courses were offered in project management in Series A shareholder countries, which included the participation of officials from executing agencies.

In the communications field, the institution sought to strengthen its position as a leading player in multilateral financing in the region by updating its communication channels. In this regard, a new site at www.caf.com was launched, which presents information by topic and by country, highlighting the benefits of the institution's assistance in countries and improvements achieved in the quality of life of their populations. At the same time, new digital channels of information were created and a social media strategy was developed to disseminate information about CAF's projects, which included the promotion of the audiovisual production and the launch of a new page within the corporate website to showcase knowledge developed by CAF for the region.

Management's

DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

Summary of financial statements
Loan Portfolio
Liquid assets
Funding
Capital
Asset Liability Management



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

In 2014, CAF reaffirmed its position as one of the most important sources of multilateral financing for its shareholder countries in Latin America and the Caribbean, as shown by levels of approvals (USD 11.7 billion) and disbursements (USD 6.1 billion), mainly directed toward medium and long-term project financing.

During 2014, the rating agencies recognized CAF's credit worthiness and its role as one of the main multilateral institutions in the region. In this regard, Fitch Ratings, Japan Credit Ratings, Moody's Investors Service and Standard & Poor's reaffirmed CAF's short and long-term ratings as shown in Table 1. This reflects the strength and stability of CAF's operational results, the prudent management of its financial and credit policies, the independence with which it undertakes its operations and the continuous support of its shareholder countries. In addition, Standard & Poor's changed the Institution's long-term credit rating outlook from stable to negative, due to sovereign rating downgrades of some of CAF's shareholder countries.

TABLE 1 CREDIT RATINGS

	Long term	Short term	Outlook
Fitch Ratings	AA-	F1+	Stable
Japan Credit Rating Agency	AA	-	Stable
Moody's Investors Service	Aa3	P-1	Stable
Standard & Poor's	AA-	A-1+	Negative

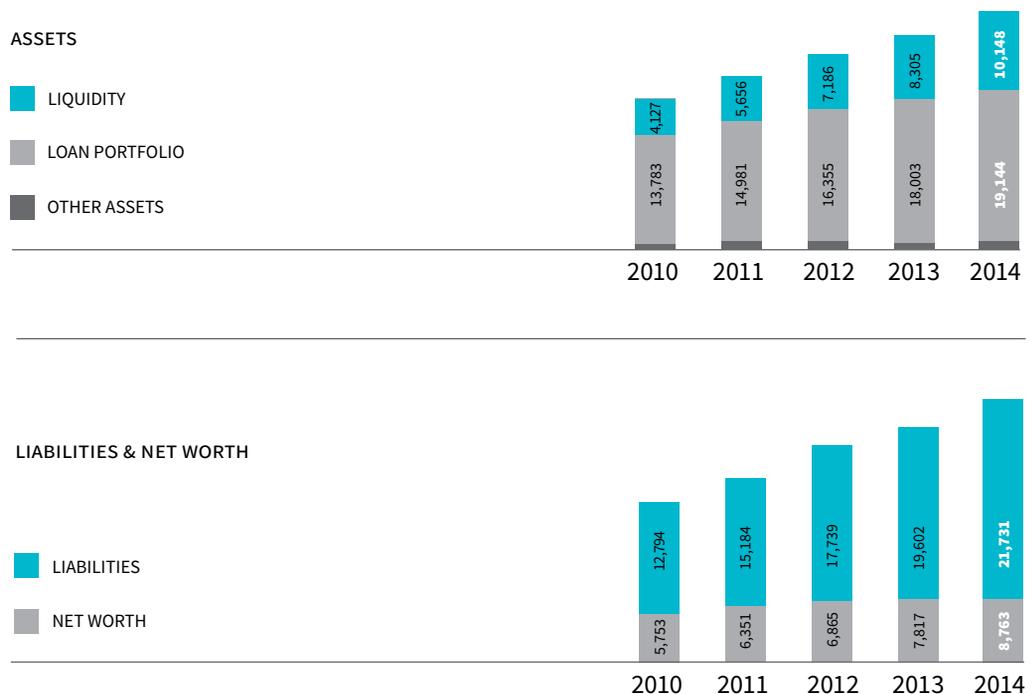
During 2014, shareholder countries continued to make substantial paid-in capital contributions, for a total of USD 878 million.

Also in 2014, net income reached USD 138 million, representing a decrease of 33.4 percent compared to the amount registered in 2013. Nevertheless, excluding the adjustment to the methodology for calculating loan loss allowances made in 2013 (one-off credit), net income for 2014 would have increased 10 percent. Operating earnings continued to be negatively affected by the reduction of the average LIBOR rate,

which went from 0.41 percent in 2013 to 0.33 percent in 2014. As a result, the main profitability indicator - Return on Equity- was 1.7 percent, in line with the established benchmarks.

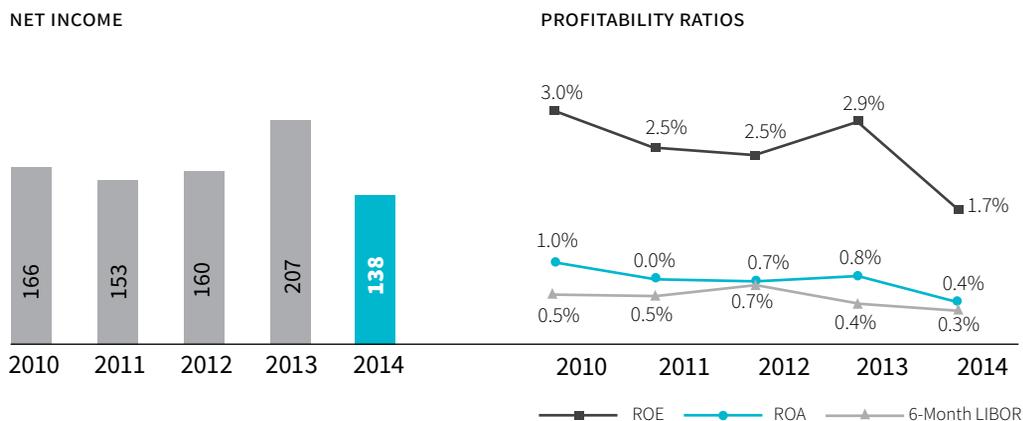
With respect to bonds issued in the international markets, 2014 marked a record breaking year in regards to the amount issued. In that year, the institution issued 13 bonds for approximately USD 3.9 billion. In addition, CAF continued diversifying its investor base, issuing in different capital markets in America, Europe and Asia.

GRAPH 1 **BALANCE SHEET AS OF DECEMBER 31** (IN MILLIONS OF USD)



Regarding short-term borrowing, time deposits represented the main source of funding, with a year-end closing balance of USD 3.7 billion. Commercial paper in the US and European markets constituted another important source of funding, with a total balance of USD 1.9 billion.

GRAPH 2 NET INCOME AND PROFITABILITY FOR THE YEAR ENDED DECEMBER 31 (IN MILLIONS OF USD)



Summary of financial statements

During 2014, CAF's total assets reached USD 30.5 billion, representing an increase of 11 percent with respect to the previous year (Graph 1). This rise was not only due to an increase in the loan portfolio -which closed at USD 19.1 billion, exceeding the previous year by 6.3 percent- but also to a growth in liquidity, which totaled USD 10.1 billion, 22.2 percent higher than 2013 and equivalent to 33.3 percent of total assets and 46.7 percent of total indebtedness.

At year-end 2014, CAF's net worth reached USD 8.8 billion, with a paid-in capital of USD 4.3 billion, additional paid-in capital of USD 1.9 billion, and USD 2.6 billion in the form of reserves and retained earnings. Also, net worth represented 28.7 percent of total assets and 35.8 percent of risk weighted assets, according to the methodology established in the Basel Agreement.

Despite the decrease of the LIBOR rate during the period, in 2014 net interest income rose by 23 percent due to the good performance of the liquid assets portfolio, an increase in loans and an important reduction in the cost of funding.

The decrease in net income and ROE in 2014 was mainly due to the change in the methodology for calculating the allowance for loan losses in 2013, which resulted in an increase of earnings in that year because of a one-off credit to the allowance. Net income reached USD 138 million, ROE was 1.7 percent and Return on Assets (ROA) for the year was 0.4 percent, in line with the established benchmarks (Graph 2).

Loan Portfolio

At the end of 2014, the total loan portfolio was USD 19.1 billion, which represented an increase of 6.3 percent with respect to the USD 18.0 billion of the previous year.

Loan portfolio distribution continued to be largely concentrated in public sector projects, representing 83.1 percent of the total portfolio as of December 31st, 2014. Regarding the distribution of the portfolio by countries, Venezuela had the largest exposure, with 15.7 percent of the total, followed by Ecuador with 14.8 percent, Argentina with 14.2 percent, Peru with 12.2 percent, Brazil with 10.1 percent, Bolivia with 10.0 percent, Colombia with 9.2 percent, Panama with 6.6 percent and Uruguay with 2.7 percent. The increasing participation of the new full-member shareholders contributes to the diversification of the loan portfolio. In this respect, the new full-members represented 34.8 percent of the loan portfolio at year-end 2014.

The main activities financed by CAF at the end of 2014 are transportation infrastructure projects which represented 36.0 percent of the loan portfolio, energy projects with 28.4 percent, social services and health projects with 10.1 percent, among others.

The loan portfolio maintained its excellent credit quality (Table 2). At year-end 2014, 0.09 percent of the loan portfolio was in non-accrual status and provisions for loan losses totaled USD 55.8 million, representing 0.3 percent of the loan portfolio. During 2014, a single loan for USD 4.1 million was written-off.

TABLE 2 **ASSET QUALITY** (IN USD MILLION)

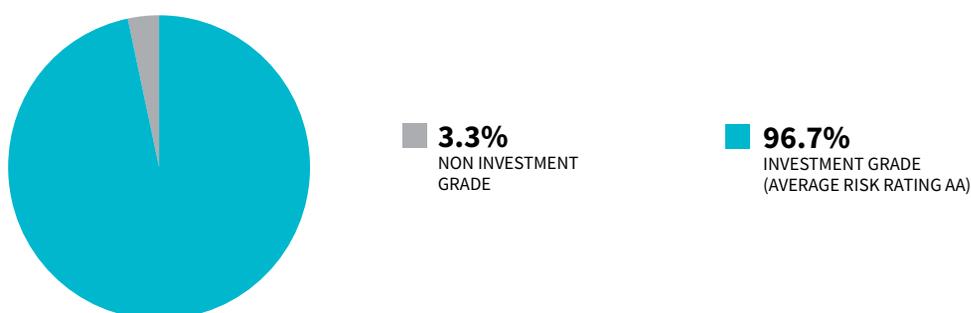
	2010	2011	2012	2013	2014
Overdues	0.0	0.0	0.0	0.0	0.0
Loans in non-accrual status	0.0	8.2	7.9	0.0	16.5
Allowance for loan losses	141.4	130.6	125.8	38.3	55.8
Overdue as a percentage of loan portfolio	0.0%	0.0%	0.0%	0.0%	0.0%
Non-accrual loans as a percentage of loan portfolio	0.00%	0.05%	0.05%	0.00%	0.09%
Allowance as a percentage of loan portfolio	1.03%	0.87%	0.77%	0.21%	0.29%

Liquid assets

As of December 31st of 2014, liquid assets totaled USD 10.1 billion, equivalent to 33.3 percent of total assets and 48.5 percent of the institution's total indebtedness. In this regard, liquidity levels keep strengthening, in line with the trend of recent years. The investment portfolio was characterized by its short duration, which averaged 0.64 years, and its excellent credit quality (Graph 3). The portfolio

was rated 96.7 percent investment grade, with an average rating of AA/Aa2, and only 3.3 percent was rated below A-/A3. CAF's policies require that at least 90 percent of the liquid assets be held in instruments with credit ratings of at least A-/A3.

GRAPH 3 LIQUID ASSETS AS OF DECEMBER 31, 2014



Funding

At year-end 2014, total financial liabilities were USD 20.9 billion, while total liabilities reached USD 21.7 billion.

As of December 31st, 2014, 75 percent of CAF's funding came from international capital markets. Bond issues represented the main source, with 66 percent of total funding (Graph 4). Time deposits received from institutional investors represented 18 percent, followed by commercial paper with 9 percent, and other medium- and long-term loans and credit lines, which represented 7 percent.

2014 was a very active year for CAF in the international bond markets. The institution issued 13 bonds for an approximate amount of USD 3.9 billion, the largest amount issued by CAF in a single year. In addition, CAF continued diversifying its geographic distribution, issuing in six different markets of America, Europe and Asia.

During 2014, CAF made a benchmark placement for EUR 750 million, which represented its return to this market since 2011; and a benchmark issue for USD 1.0 billion, the first in this market since the upgrade of CAF's credit rating to the "AA" level. These transactions were successful in terms of achieving competitive funding costs and diversifying CAF's investor base.

The institution returned to the Uridashi market with two bond issues with a four-year maturity for South-African rand 253 million and Turkish lira 157 million. These two placements were issued under favorable financial conditions.

CAF made its debut in the Norwegian market with two placements with ten- and twelve-year maturities, for NOK 900 million and NOK 1.5 billion, respectively; being the first Latin-American issuer having access to this prestigious market and its investor base.

Also, CAF made two issues in the Swiss market for CHF 300 million and CHF 225 million with ten- and fourteen-year maturities, respectively. This last placement was its longest maturity issuance in this market, which consolidates the curve for CAF in CHF and reaffirms its position as the most frequent Latin-American issuer in the Swiss market.

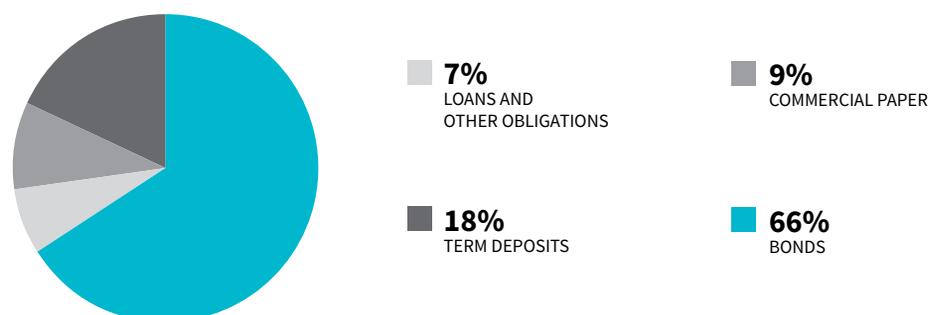
Finally, several private placements were made in different currencies such as U.S. Dollars, Euros, and Hong Kong Dollars, aimed at investors that have an important strategic value for CAF.

With respect to short-term borrowings, CAF has maintained its presence in the commercial paper markets in the United States and Europe. It should be noted that borrowing spreads have been decreasing, which contribute to lower funding costs for the year.

In 2014, time deposits represented the most important source of short-term funding, reaching USD 3.7 billion at the end of the year. Thus, these instruments have maintained their importance as a stable and competitive source of funding.

Regarding medium- and long-term loans from development financial institutions, international agencies, and multilateral banks, new credit facilities have been negotiated for USD 120 million with KfW to support the financing of projects related to energy efficiency. The loan program in local currencies for microfinance institutions continued, specifically in Peru, Mexico, Colombia, Paraguay and Bolivia. Additionally, USD 142.6 million was obtained through loan portfolio sales.

GRAPH 4 **FINANCIAL LIABILITIES AS OF DECEMBER 31, 2014**



Details of CAF's 2014 debt issues can be seen in Table 3.

TABLE 3 2014 DEBT ISSUES IN THE INTERNATIONAL MARKETS

Date	Market	Amount in original currency of issuance (in millions)	Equivalent in USD million
Bond issuance			
February	Swiss	CHF 300	331
February	Euro	EUR 65	88
February	Euro	EUR 200	273
February	Norway	NOK 1,500	246
February	Norway	NOK 900	145
February	Hong Kong	HKD 1,257	162
March	Euro	EUR 50	69
May	USA	USD 200	200
May	Euro	EUR 750	1,019
August	USA	USD 1,000	1,000
December	Swiss	CHF 225	233
December	Uridashi	ZAR 253	23
December	Uridashi	TRY 157	70
Sub-total 2014			3,859
Total 1993-2014			23,125
Short-Term issuance programs			
	Commercial paper (USA)	USD 2,000	2,000
	Commercial paper (Europe)	USD 3,000	3,000

Capital

During 2014, CAF received USD 878 million in new capital contributions from its shareholder countries. Most of these contributions came from payments under the capital subscription programs approved in 2009 and 2011, for a total of USD 2.5 billion, and USD 2 billion, respectively.

At the end of 2014, the institution's net worth reached USD 8.8 billion, 12.4 percent over the amount registered at the end of the previous year, strengthened by the capital contributions made by the shareholder countries and by retained earnings.

Favored by the increase in shareholders' equity, the capitalization ratios remained in line with the levels established by the Institution's internal policies (Table 4).

TABLE 4 CAPITALIZATION RATIOS

	2010	2011	2012	2013	2014
Gearing (times) ¹	2.5	2.4	2.4	2.4	2.5
Leverage (times) ²	2.2	2.3	2.5	2.4	2.4
Capital/Risk-Weighted Assets (BIS) ³	37.2%	38.7%	40.2%	39.3%	35.8%

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 calculated according to Basel methodology, should be greater or equal than 30%.

Asset Liability Management

In order to mitigate foreign exchange and interest rate risks, CAF's lending and borrowing activities are primarily conducted in floating rate U.S. Dollars. As of December 31st, 2014, 99.8 percent of assets and 99.1 percent of liabilities were denominated in U.S. Dollars after swaps, while 99.6 percent of the loans and 96.8 percent of the financial liabilities were based on LIBOR after swaps. Transactions that are not denominated in US Dollars and based on the 6-month LIBOR rate are converted through swaps to those terms. The swaps book reached USD 13.6 billion at year-end 2014. CAF's policies establish that swap counterparties must be rated at least A/A2, or have a collateral agreement. Thus, CAF establishes Collateral Agreements (CSA) with its derivatives counterparts, reducing the credit risk, since valuations are made on a Mark-to-Market basis and the debtor party must place the corresponding collateral within certain predetermined parameters. CAF does not trade derivatives on its own account. These instruments are used solely for hedging purposes.

CAF seeks to maintain a conservative relationship between the average term of its assets and liabilities. As of December 31st, 2014, the average life of its assets was 4.1 years, and that of its liabilities was 5.2 years. The latter value does not include the portion corresponding to capital, which constitutes a high percentage of CAF's funding, and favors the maturity profile of liabilities.

AT THE END OF 2014, THE INSTITUTION'S NET WORTH REACHED USD 8.8 BILLION, 12.4 PERCENT OVER THE AMOUNT REGISTERED AT THE END OF THE PREVIOUS YEAR, STRENGTHENED BY THE CAPITAL CONTRIBUTIONS MADE BY THE SHAREHOLDER COUNTRIES AND BY RETAINED EARNINGS.

FINANCIAL STATEMENTS

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



The Management of Corporación Andina de Fomento (CAF) is responsible for establishing and maintaining effective internal control over financial reporting in CAF. Management has evaluated CAF's internal control over financial reporting as of December 31, 2014, based on the criteria for effective internal control determined in the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

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

Management has assessed the effectiveness of CAF's internal control over financial reporting as of December 31, 2014. Based on this assessment, CAF's Management concluded that CAF's internal control over financial reporting was effective as of December 31, 2014.

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. Furthermore, because of changes in conditions, the effectiveness of internal control may vary over time.

CAF's financial statements as of December 31, 2014, have been audited by an independent accounting firm, which has also issued an attestation report on management's assertion on the effectiveness of CAF's internal control over financial reporting. The attestation report, which is included in this document, expresses an unmodified opinion on management's assertion on the effectiveness of CAF's internal control over financial reporting as of December 31, 2014.

L. Enrique García

Executive President
and Chief Executive Officer

Hugo Sarmiento K.

Corporate Vice President of Finance,
Chief Financial Officer

Marcos Subía G.

Director, Accounting
and Budget

January 30, 2015

Independent Auditors' 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)

Lara Marambio & Asociados

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We have audited 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, 2014, based on criteria established in *Internal Control – Integrated Framework (2013) 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 of 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 audit.

We conducted our audit in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit 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 audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit 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 accounting principles generally accepted in the United States of America. 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 accounting principles generally accepted in the United States of America, 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 the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected and corrected on a timely basis. Also, projections of any evaluation of effectiveness of the internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assertion that CAF maintained effective internal control over financial reporting as of December 31, 2014 is fairly stated, in all material respects, based on the criteria established in *Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)*.

We have also audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements as of and for the year ended December 31, 2014 of CAF and our report dated January 30, 2015 expressed an unmodified opinion on those financial statements.

January 30, 2015
Caracas - Venezuela



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Independent Auditors' Report

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

We have audited the accompanying financial statements of **Corporación Andina de Fomento (CAF)**, which comprise the balance sheets as of December 31, 2014 and 2013, and the related statements of comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2014 and 2013, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Management's Assertion on Effectiveness of Internal Control over Financial Reporting

We have also audited, in accordance with attestation standards established by the American Institute of Certified Public Accountants, management's assertion that CAF maintained effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated January 30, 2015 expressed an unmodified opinion on the Management's assertion on effectiveness of internal control over financial reporting.

January 30, 2015
Caracas - Venezuela



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CORPORACIÓN ANDINA DE FOMENTO (CAF)

Balance Sheets

December 31, 2014 and 2013

(In thousands of U.S. dollars)

	NOTES	2014	2013
ASSETS			
Cash and due from banks	3	141,147	230,051
Deposits with banks	3	1,279,267	1,462,208
Cash and deposits with banks		1,420,414	1,692,259
Marketable securities:			
Trading	5 and 21	7,130,791	5,831,244
Other investments	4	1,596,608	781,219
Loans (US\$ 21,954 and US\$ 48,358 at fair value as of December 31, 2014 and 2013)	6 and 21	19,144,087	18,003,271
Less loan commissions, net of origination costs		89,411	80,373
Less allowance for loan losses	6	55,763	38,336
Loans, net		18,998,913	17,884,562
Accrued interest and commissions receivable		292,325	242,153
Equity investments	7	292,345	228,385
Derivative financial instruments	20 and 21	383,703	417,658
Property and equipment, net	8	69,003	66,899
Other assets	9	310,538	273,941
TOTAL		30,494,640	27,418,320
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES:			
Deposits	10	3,696,510	3,263,674
Commercial paper	11	1,853,282	2,936,496
Borrowings (US\$ 432,617 and US\$ 495,947 at fair value as of December 31, 2014 and 2013)	12 and 21	1,514,646	1,628,863
Bonds (US\$ 13,124,319 and US\$ 10,659,931 at fair value as of December 31, 2014 and 2013)	13 and 21	13,859,940	11,192,501
Accrued interest payable		239,547	200,013
Derivative financial instruments	20 and 21	383,086	182,824
Accrued expenses and other liabilities	14	184,393	197,400
Total liabilities		21,731,404	19,601,771
STOCKHOLDERS' EQUITY:			
Subscribed and paid-in capital (authorized capital US\$10,000 million)		4,250,495	3,941,380
Additional paid-in capital		1,911,487	1,342,903
Reserves		2,463,583	2,325,826
Other comprehensive income		32	(317)
Retained earnings		137,639	206,757
Total stockholders' equity		8,763,236	7,816,549
TOTAL		30,494,640	27,418,320

See accompanying notes to the financial statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Statements of Comprehensive Income

Years ended December 31, 2014 and 2013
(In thousands of U.S. dollars)

	NOTES	2014	2013
Interest income:			
Investments and deposits with banks	2(e), 3 and 4	44,211	22,364
Loans	2(f)	481,970	446,609
Loan commissions	2(f)	43,479	39,274
Total interest income		569,660	508,247
Interest expense:			
Deposits		11,377	16,607
Commercial papers		6,459	18,096
Borrowings		21,533	18,856
Bonds		252,258	227,479
Commissions		18,597	16,255
Total interest expense		310,224	297,293
Net interest income		259,436	210,954
Provision (credit) for loan losses	6	21,552	(83,417)
Net interest income, after provision (credit) for loan losses		237,884	294,371
Non-interest income:			
Other commissions		9,070	7,415
Dividends and equity in earnings of investees	7	8,893	4,801
Other income		4,998	3,687
Total non-interest income		22,961	15,903
Non-interest expenses:			
Administrative expenses	24	116,678	103,997
Impairment charge for equity investments	7	7,307	—
Other expenses		696	1,649
Total non-interest expenses		124,681	105,646
Net income before unrealized changes in fair value related to financial instruments		136,164	204,628
Unrealized changes in fair value related to financial instruments	22	1,475	2,129
Net income		137,639	206,757
Other comprehensive income			
Unrecognized changes in assets/ liabilities under benefit pension plan	15 and 18	32	(317)
Amortization of defined benefit pension items	15 and 18	317	—
Total comprehensive income		137,988	206,440

See accompanying notes to the financial statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Statements of Stockholders' Equity

Years ended December 31, 2014 and 2013

(In thousands of U.S. dollars)

	NOTES	Subscribed and paid-in capital	Additional paid-in capital	Reserves			Other comprehensive income	Retained earnings	Total stockholders' equity
				General reserve	Artículo N° 42 of by-laws	Total reserves			
BALANCES AT DECEMBER 31, 2012		3,636,715	782,523	1,871,521	414,134	2,285,655	-	160,169	6,865,062
Capital increase	16	304,665	560,380	-	-	-	-	-	865,045
Net income	16	-	-	-	-	-	-	206,757	206,757
Appropriated for general reserve	16	-	-	24,071	-	24,071	-	(24,071)	-
Appropriated for reserve pursuant to Article N° 42 of by-laws	16	-	-	-	16,100	16,100	-	(16,100)	-
Other comprehensive income	18	-	-	-	-	-	(317)	-	(317)
Distributions to stockholders' special funds	17	-	-	-	-	-	-	(119,998)	(119,998)
BALANCES AT DECEMBER 31, 2013		3,941,380	1,342,903	1,895,592	430,234	2,325,826	(317)	206,757	7,816,549
Capital increase	16	309,115	568,584	-	-	-	-	-	877,699
Net income	16	-	-	-	-	-	-	137,639	137,639
Appropriated for general reserve	16	-	-	116,557	-	116,557	-	(116,557)	-
Appropriated for reserve pursuant to Article N° 42 of by-laws	16	-	-	-	21,200	21,200	-	(21,200)	-
Other comprehensive income	18	-	-	-	-	-	349	-	349
Distributions to stockholders' special funds	17	-	-	-	-	-	-	(69,000)	(69,000)
BALANCES AT DECEMBER 31, 2014		4,250,495	1,911,487	2,012,149	451,434	2,463,583	32	137,639	8,763,236

See accompanying notes to the financial statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Statements of Cash Flows

Years ended December 31, 2014 and 2013
(In thousands of U.S. dollars)

	NOTES	2014	2013
OPERATING ACTIVITIES:			
Net income		137,639	206,757
Adjustments to reconcile net income to net cash used in operating activities:			
Unrealized loss (gain) on trading securities	5	3,038	(5,025)
Amortization of loan commissions, net of origination costs		(12,085)	(12,413)
Provision (credit) for loan losses	6	21,552	(83,417)
Impairment charge for equity investments	7	7,307	—
Equity in earnings of investees		127	244
Amortization of deferred charges		3,811	2,900
Depreciation of property and equipment	8	5,974	5,554
Provision for employees' severance indemnities and benefits		9,345	8,339
Provision for employees' savings plan		1,335	1,281
Unrealized changes in fair value related to financial instruments		(1,475)	(2,129)
Net changes in operating assets and liabilities:			
Severance indemnities paid or advanced		(6,650)	(4,869)
Employees' savings plan paid or advanced		(955)	(113)
Trading securities, net	5	(1,302,585)	(373,082)
Interest and commissions receivable		(50,172)	(25,830)
Other assets		(40,407)	4,411
Accrued interest payable		39,534	19,416
Accrued expenses and other liabilities		(16,082)	(89,449)
		(1,338,388)	(554,182)
		(1,200,749)	(347,425)
INVESTING ACTIVITIES:			
Purchases of other investments	4	(3,773,803)	(1,132,019)
Maturities of other investments	4	2,958,414	451,710
Loan origination and principal collections, net	6	(1,128,961)	(1,638,784)
Equity investments, net	7	(71,394)	(81,818)
Purchases of property and equipment	8	(8,078)	(9,786)
		(2,023,822)	(2,410,697)
Net cash used in investing activities		(2,023,822)	(2,410,697)
		(3,224,571)	(2,758,122)
Carried forward,		(3,224,571)	(2,758,122)

See accompanying notes to the financial statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Statements of Cash Flows

Years ended December 31, 2014 and 2013

(In thousands of U.S. dollars)

	NOTES	2014	2013
Brought forward,		(3,224,571)	(2,758,122)
FINANCING ACTIVITIES:			
Net increase in deposits		432,836	141,831
Net decrease in commercial paper		(1,083,214)	(238,431)
Proceeds from issuance of bonds	13	3,855,856	2,716,572
Repayment of bonds	13	(939,731)	(796,450)
Proceeds from borrowings	12	267,697	376,961
Repayment of borrowings	12	(389,417)	(126,918)
Distributions to stockholders' special funds	17	(69,000)	(119,998)
Proceeds from issuance of shares	16	877,699	865,045
Net cash provided by financing activities		2,952,726	2,818,612
NET (DECREASE) INCREASE IN CASH AND DEPOSITS WITH BANKS		(271,845)	60,490
CASH AND DEPOSITS WITH BANKS AT BEGINNING OF YEAR		1,692,259	1,631,769
CASH AND DEPOSITS WITH BANKS AT END OF YEAR		1,420,414	1,692,259
Supplemental disclosure:			
Interest paid during the year		238,147	269,543
NONCASH FINANCING ACTIVITIES:			
Changes in derivative financial instruments assets		(33,955)	(354,790)
Changes in derivative financial instruments liabilities		200,262	122,757

See accompanying notes to the financial statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to the Financial Statements

Years ended December 31, 2014 and 2013
(In thousands of U.S. dollars)

1. ORIGIN

Business description – Corporación Andina de Fomento (CAF) began its operations on June 8, 1970, and was established under public international law which abides by the provisions set forth in its by-laws. Series “A” and “B” stockholder countries are: Argentina, Bolivia, Brazil, Colombia, Ecuador, Panama, Paraguay, Peru, Uruguay and Venezuela. Series “C” stockholder countries are: Chile, Costa Rica, Dominican Republic, Jamaica, Mexico, Portugal, Spain and Trinidad and Tobago. In addition, there are 13 banks which are Series “B” stockholders. CAF is headquartered in Caracas and has offices in Asuncion, Bogota, Brasilia, Buenos Aires, Ciudad de Mexico, Ciudad de Panama, La Paz, Lima, Madrid, Montevideo, Puerto Principe and Quito.

CAF’s objective is to support sustainable development and economic integration within Latin America and the Caribbean by helping stockholder countries diversify their economies, and become more competitive and responsive to social needs.

CAF offers financial and related services to the governments of its stockholder countries, as well as their public and private institutions, corporations and joint ventures. CAF’s principal activity is to provide short, medium- and long-term loans to finance projects, working capital, trade activities and to undertake feasibility studies for investment opportunities in stockholder countries. Furthermore, CAF manages and supervises third-party cooperation funds of other countries and organizations, destined to finance programs agreed upon with donor organizations which are in line with CAF policies and strategies.

CAF raises funds to finance operations both within and outside its stockholder countries.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

a. Financial Statement Presentation – The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles with the U.S. dollar as the functional currency.

Certain amounts in the 2013 financial statements have been reclassified to conform to the current year’s presentation.

b. Use of estimates – The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet, as well as the amounts reported as revenues and expenses during the corresponding reporting period. The most important estimates related to the preparation of CAF’s financial statements refer to revenue recognition, valuation and classification at fair values of financial instruments, and estimating the allowance for loan losses, among others. Management believes these estimates are adequate. Actual results could differ from those estimates.

c. Transactions in other currencies – Transactions in currencies other than U.S. dollars are converted into U.S. dollars at exchange rates prevailing in international markets on the dates of the transactions. Currency balances other than U.S. dollars are converted into U.S. dollars at year-end exchange rates. Any foreign exchange gains or losses, including related hedge effects, are included in the statement of comprehensive income.

d. Cash and Cash Equivalents – Cash and cash equivalents comprised of cash, due from banks and short-term deposits with an original maturity of three months or less.

e. Marketable Securities – CAF classifies its investments, according to management intention, as trading marketable securities, which are recorded on the trade date. Trading securities are mainly bought and held with the purpose of selling them in the short term. Trading securities are recorded at fair value. Gains and losses, from sales of trading securities and changes in the fair value of trading securities are included in interest income of investments and deposits with banks in the statements of comprehensive income.

- f. Loans** – CAF grants short-, medium- and long-term loans to finance projects, working capital, trade activities and to undertake feasibility studies for investment opportunities, both to public and private entities, for development and integration programs and projects in stockholder countries.

For credit risk purposes, CAF classifies its portfolio into sovereign and non-sovereign.

Sovereign loans – Include loans granted to national, regional or local governments or decentralized institutions and other loans fully guaranteed by national governments.

Non-sovereign loans – Include loans granted to corporate and financial sectors, among others, which are not guaranteed by national governments (public and private sectors).

Loans are carried at their outstanding principal balances less: (i) write-offs, (ii) the allowance for loan losses, and (iii) loan commission fees received upon origination net of certain direct 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 comprehensive 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 loan is well-secured and in process of collection.

Interest accrued but not collected for loans that are placed on non-accrual is reversed against interest income. The interest on non-accrual loans is accounted for on a cash-basis, until qualifying for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Non-accrual loans are considered impaired loans. Factors considered by management in determining impaired loans are payments status and the probability of collecting scheduled principal and interest payments when due.

Loan losses, partial or total, are written off against the allowance for loan losses when management confirms the uncollectibility of a loan balance. Subsequent recoveries on written off loans, if any, will be credited to the allowance for loan losses.

CAF maintains risk exposure policies to avoid concentrating its loan portfolio in one country or specific economic group, which might be affected by market situations or other circumstances. For this reason, CAF uses certain measurement parameters, such as: CAF's stockholders' equity, total loan portfolio, economic groups from public and private sectors, among others. CAF reviews, on semi-annual basis, the credit risk rating of its loans and classifies the risk into the following categories:

Satisfactory-excellent – Extremely strong capacity to meet financial commitments.

Satisfactory-very good – Strong capacity to meet financial commitments, not significantly vulnerable to adverse economic conditions.

Satisfactory adequate – Adequate capacity to meet financial commitments, but more vulnerable to adverse economic conditions.

Watch – Acceptable payment capacity, however some indicators and elements require special attention otherwise they could result in impairment.

Special mention – More vulnerable to adverse economic conditions but currently has the capacity to meet financial commitments.

Sub-standard – Currently vulnerable and dependent on favorable economic conditions to meet financial commitments.

Doubtful – Currently highly vulnerable.

Loss – Payment default on financial commitments.

- g. Allowance for Loan Losses** – Allowance for loan losses is maintained at a level CAF believes to be adequate to absorb losses inherent in the loan portfolio as of the date of the financial statements.

For purposes of determining the allowance for loan losses, CAF management classifies its portfolio for credit risk purposes into sovereign and non-sovereign. The allowance for loan losses is estimated considering the credit risk exposure, default probability and, beginning December 31, 2013, loss given default, based on external data provided by risk rating agencies, recognizing such effects in profit or loss for the period.

The allowance for loan losses on sovereign loans is established by CAF based on the individual long-term foreign currency debt rating of the borrower countries, which is determined as the average rating of three recognized international risk rating agencies as of the date of the financial statements. The long-term foreign currency debt rating considers a default probability. Given CAF's status as a preferred creditor and taking into account the immunities and privileges conferred by its stockholder countries, which are established in CAF's by-laws and other similar agreements, a factor reflecting a lower default probability – usually equivalent to three levels above its risk rating– is used.

For the non-sovereign loan portfolio, the allowance for loan losses is based on the individual local currency debt rating of the borrower countries, which is determined as the average rating of the aforementioned risk rating agencies. As of December 31, 2013, by virtue of the change in the determination of the allowance for loan losses, the allowance for loan losses is calculated by considering CAF's internal rating of each borrower, using the probability of default corresponding to the average of the equivalent categories of the risk rating agencies.

For those cases where the category equivalent to the rating of a given borrower determined in accordance with any of the risk rating agencies is higher than the risk rating in local currency of the country corresponding to such borrower, or if for any reason there is no risk rating, the risk rating in local currency of such country determined by risk rating agencies will be used.

A specific allowance for loan losses is established by CAF for impaired loans. A loan is considered as impaired when, based on currently available information and events, it is probable that CAF will not recover the total amount of principal and interest as agreed in the terms of the original loan contract. The impairment of loans is determined on a loan by loan basis based on the present value of expected future cash flows, discounted at the original loan's effective interest rate. The allowance for loan losses is reported as a deduction from loans.

- h. Equity Investments** – CAF invests in equity securities of companies and funds in strategic sectors, with the objective of promoting the development of such companies and funds and their participation in the securities markets and to serve as a catalytic agent in attracting resources to stockholder countries.

Equity investments are accounted for using the equity method or at cost. If CAF has the ability to exercise significant influence over the operating and financial policies of the investee, which is generally presumed to exist when CAF holds an ownership interest in the voting stock of an investee between 20% and 50%, the equity investments are accounted for using the equity method. Under the equity method, the carrying amount of the equity investment is adjusted to reflect CAF's proportionate share of earnings or losses, dividends received and certain transactions of the investee company.

Investments representing less than 20% of the voting rights of the investee are recorded using the cost method, recognizing any dividends received as income.

A decline in the value of any equity investment accounted at cost or equity method, that is not deemed to be temporary, results in a reduction in the carrying amount to fair value. These investments are evaluated, any impairment is charged to income and a new value for the investment is established.

The equity investments do not have readily determinable fair values.

- i. Property and Equipment, net** – Property and equipment are stated at cost less accumulated depreciation. Maintenance and repair expenses are charged directly to the statements of comprehensive income for the year as incurred, while improvements and renewals are capitalized. Depreciation is calculated using the straight-line method, and charged to the statements of comprehensive income over the estimated useful life of assets.

The assets in conformity with their estimated useful life are as follows:

Buildings	30 years
Building improvements	15 years
Leasing building improvements	Term of leasing contract
Furniture and equipment	2 to 10 years
Vehicles	5 years

j. Other Assets – Other assets include deferred charges, intangible assets and collateral.

Deferred costs capital investment – Include projects which are in progress. Once they are completed and in place, the total amount invested is capitalized. The depreciation or amortization starts applying the current policy applicable for each asset category.

Deferred finance costs – Include up-front costs and fees related to the issuance of bonds and borrowings denominated in US\$ that are deferred and amortized during the term of the bonds and borrowings.

Intangible assets – Include software investments which are reported at cost less accumulated amortization. The amortization is calculated 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.

Collateral – CAF requires or posts collateral from or to individual swap counterparties and futures contracts in the form of approved liquid securities or cash to mitigate its credit exposure to these counterparties. It is the policy of CAF to restrict and invest collateral received from swap and futures counterparties for fulfilling its obligations under the collateral agreement. CAF records the restricted and invested cash in other assets with a corresponding obligation to return the cash in accrued expenses and other liabilities. Collateral posted to swap counterparties and futures contracts, under the collateral agreement, is recorded in other assets.

k. Impairment – A financial asset is considered impaired and an impairment loss is recognized only if there are circumstances that indicate impairment as a result of one or more events (“loss events”) that have occurred after recognition of the financial asset.

l. Deposits and Commercial Papers – Deposits and commercial papers are recorded at amortized cost.

m. Borrowings – The borrowings account includes those obligations with local or foreign financial institutions and commercial banks, which are commonly recorded at amortized cost, except for some borrowings that are hedged using interest rate swaps as an economic hedge.

n. Bonds – Medium and long-term debt issuances, whose objective is to provide the financial resources required to finance CAF’s operations, are recorded as follows:

- Bonds denominated in currencies other than the US\$ are recognized at fair value. Gains or losses resulting from changes in the fair value of these bonds, as well as the related up-front costs and fees are recognized in the statement of comprehensive income, when they occur. CAF enters into cross-currency and interest rate swaps as an economic hedge for interest rate and foreign exchange risks related with these bonds.

- Bonds denominated in US\$ are hedged for interest rate risk using interest rate swaps, and are designated as part of fair value hedge accounting relationships assuming no hedge ineffectiveness (the “shortcut method”). The related up-front costs and fees are deferred and amortized during their life time.

Partial repurchases of bond issuances result in the derecognition of the corresponding liabilities. The difference between the repurchase price and the debt's settlement net cost is recognized as income/loss for the year.

- o. Employees' Severance Benefits** – Accrual for severance benefits comprises all the liabilities related to the workers' vested rights according to CAF's employee policies and the labor law of the member countries, when applicable. The accrual for employee severance benefits is presented as part of "labor benefits" account under "other liabilities" caption.

Under CAF's employee policies, employees earn a severance benefit equal to five days of salary per month, up to a total of 60 days per year of service. From the second year of service, 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 per year. Severance benefits are recorded in the accounting records of CAF and interest on the amounts owed to employees are paid.

In the case of unjustified dismissal or involuntary termination, employees have the right to an additional indemnity of one-month salary per year of service.

- p. Pension Plan** – In March 2005, CAF established a 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's benefits are calculated based on years of service and the average salary of the three consecutive years in which the employee received the highest salary. CAF periodically updates the benefit obligations considering actuarial assumptions.

- q. Derivative Financial Instruments and Hedging Activities** – CAF records all derivative financial instruments on the balance sheet at fair value, regardless of the purpose or intent for holding them. For derivative contracts for which hedge accounting is intended to apply, CAF designates the derivative financial instrument as either a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value hedge") on the date the derivative contract is entered into. CAF formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes linking the derivative financial instruments that are designated as fair-value to specific assets and liabilities on the balance sheet, or to specific firm commitments. CAF's policy is not to enter into derivative financial instruments for speculative purposes. CAF also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivative financial instruments that are used in hedging transactions are highly effective in offsetting changes in fair values.

Changes in the fair value of a highly effective derivative financial instruments designated and qualified 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 attributable to the hedged risk, are recorded in the statement of comprehensive income.

CAF discontinues hedge accounting prospectively upon determining that the derivative financial instrument is no longer effective in offsetting changes in the fair value 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 the designation of the derivative financial instrument as a hedging instrument is no longer appropriate.

When hedge accounting is discontinued because it is determined that the derivative financial instrument no longer qualifies as an effective fair value hedge, CAF continues to carry the derivative financial instrument on the balance sheet at its fair value, and no longer adjusts the hedged asset or liability for changes in fair value. The adjustment of the carrying amount of the hedged asset or liability is accounted for in the same manner as other components of the carrying amount of that asset or liability. When hedge accounting is discontinued because the hedged item no longer meets the definition of a firm commitment, CAF continues to carry the derivative financial instrument 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. In all situations in which hedge accounting is discontinued, CAF continues to carry the derivative financial instrument at its fair value on the balance sheet, and recognizes any changes in its fair value in the statement of comprehensive income.

- r. Fair value of financial instruments and fair value measurements* – An entity is required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Accounting guidance establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Inputs used to measure fair value may fall into one of three levels:

Level 1 - Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 - Applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 - Applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

- s. Guarantees* – CAF provides guarantees for loans originated by third parties to support projects located within a stockholder country that are undertaken by public and private entities. CAF may offer guarantees of private credit agreements or it may offer public guarantees of obligations of the securities of third party issuers. CAF generally offers partial credit guarantees with the intention of sharing the risk with private lenders or holders of securities. CAF's responsibility is limited to paying up to the amount of the guarantee upon default by the client. The guarantee fee income received is deferred and recognized over the period covered by the guarantee.

- t. Provision for guarantees losses* – Provision for guarantees is maintained at a level CAF believes adequate to absorb probable losses inherent to the guaranteed loans originated by third parties as of the date of the financial statements. Guaranteed exposures are classified as either sovereign or non-sovereign. Provision for guarantees is estimated by CAF considering the credit risk exposure, default probability and, effective December 31, 2013, loss given default. Provision for sovereign guarantees losses is based on the individual long-term foreign currency debt rating of the guarantor countries considering the weighted average rating of three recognized international risk rating agencies as of the date of the financial statements preparation. These country risk ratings have associated default probability. Given CAF's status as a preferred creditor and taking into account the immunities and privileges conferred by its stockholder countries, which are established in CAF's by-laws and other similar agreements, a factor that reflects a lower default probability – usually equivalent to three levels up in this average rating. For non-sovereign guarantees, effective December 31, 2013, the provision is determined by considering the CAF internal rating of each client and the average rating of the aforementioned agencies.

The provision for credit risks on contingent accounts, such as stand-by letters of credit and guarantees, are reported as other liabilities.

- u. Recently adopted accounting pronouncement* –

ASU 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income

In February 2013, the FASB issued ASU 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. The amendments in this update supersede and replace the presentation requirements for reclassifications out of accumulated other comprehensive income in ASUs 2011-05 (issued in June 2011) and 2011-12 (issued in December 2011) for all public and private organizations. The amendments require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. The amended guidance is effective prospectively for reporting periods beginning after December 15, 2013.

Refer to Note 18 for more information regarding the adoption of this guidance.

v. Recently issued accounting pronouncement pending adoption –

ASU 2014-09, Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, Revenue Recognition (Topic 606) Revenue from Contracts with Customers. This ASU requires companies to recognize revenue when a customer obtains control rather than when companies have transferred substantially all risks and rewards of a good or service. In addition, the update requires expanded disclosures surrounding the Company's revenue transactions. This ASU will be effective for CAF in 2017.

3. CASH AND DEPOSITS WITH BANKS

Bank deposits with original maturity of three months or less include the following:

	December 31,	
	2014	2013
Cash and due from banks	141,147	230,051
Deposits with banks:		
U.S. dollars	1,279,267	1,460,678
Other currencies	-	1,530
	1,279,267	1,462,208
	1,420,414	1,692,259

4. OTHER INVESTMENTS

Deposits due in 90 days or more (original maturity) as follows:

	December 31,	
	2014	2013
U.S. dollars	1,589,458	779,936
Other currencies	7,150	1,283
	1,596,608	781,219

As of December 31, 2014 and 2013, the interest rate of the other investments was ranged from 0.2% to 1.21% and from 0.2% to 1.11%, respectively.

5. MARKETABLE SECURITIES

Trading Securities

A summary of trading securities follows:

	December 31,			
	2014		2013	
	Amount	Average maturity (years)	Amount	Average maturity (years)
U.S. Treasury Notes	1,920,441	1.88	674,749	2.62
Non-U.S. governments and government entities bonds	195,373	0.60	130,390	0.98
Financial institutions and corporate securities:				
Commercial papers	1,075,478	0.32	1,982,228	0.20
Certificates of deposit	2,264,749	0.46	1,454,325	0.38
Bonds	1,183,477	1.64	1,165,255	1.86
Collateralized mortgage obligation	292,214	5.55	220,196	6.46
Liquidity funds	199,059	1.00	193,151	1.00
Others	-	-	10,950	1.00
	<u>5,014,977</u>	1.02	<u>5,026,105</u>	0.94
	<u><u>7,130,791</u></u>	1.24	<u><u>5,831,244</u></u>	1.14

The certificate of deposit bears a maturity date and specified fixed interest rate. It also is registered with The Depository Trust Company (DTC) and has a CUSIP number, which is a code that identifies a financial security, therefore they can be traded at any moment. The liquidity funds are comprised of short-term (less than one year) securities representing high-quality, liquid debt and monetary instruments.

Trading securities include net unrealized losses and gains of US\$ 3,038 and US\$ 5,025 at December 31, 2014 and 2013, respectively.

Net realized gains and losses from trading securities of US\$ 2,003 and of US\$ 12,083 at December 31, 2014 and 2013, respectively, are included in the statement of comprehensive income in the line Investment and deposits with banks.

CAF places its short-term investments mainly in high grade financial institutions and corporate securities. CAF has very conservative investment guidelines that limit the amount of credit risk exposure, considering among other factors, limits in credit ratings, limits in duration exposure, specific allocations by type of investment instruments and limits across sector and currency allocation. As of December 31, 2014 and 2013, CAF does not have any significant concentrations of credit risk. In other currencies, total marketable securities include the equivalent of US\$ 166,312 and US\$ 165,652, at December 31, 2014 and 2013, respectively.

Maturity of debt securities follows:

	December 31,	
	2014	2013
Remaining maturities:		
Less than one year	4,653,485	4,081,566
Between one and two years	519,111	858,003
Between two and three years	1,633,819	523,424
Between three and four years	101,639	184,152
Between four and five years	110,121	88,289
Over five years	112,616	95,810
	7,130,791	5,831,244

6. LOANS

Loans include short, medium and long-term loans to finance projects, working capital and trade activities. The majority of the loans are to Series “A” and “B” stockholder countries, or with private institutions or companies of these countries.

Loans by country are summarized as follows:

	December 31,	
	2014	2013
Stockholder country:		
Argentina	2,718,009	2,457,474
Bolivia	1,909,509	1,752,611
Brazil	1,932,414	1,654,751
Colombia	1,768,619	1,806,317
Costa Rica	128,627	120,928
Dominican Republic	172,458	177,576
Ecuador	2,824,501	2,735,716
Jamaica	5,628	6,129
Mexico	127,526	194,475
Panama	1,254,545	886,651
Paraguay	249,271	189,731
Peru	2,333,123	2,478,138
Portugal	15,000	-
Spain	191,875	200,000
Uruguay	509,247	378,510
Venezuela	3,001,625	2,961,658
Loans	19,141,977	18,000,665
Fair value adjustments	2,110	2,606
Carrying value of loans	19,144,087	18,003,271

Fair value adjustments to the carrying amount of loans represent adjustments to the carrying value of loans for which the fair value option is elected.

At December 31, 2014 and 2013, loans in other currencies were granted for an equivalent of US\$ 41,780 and US\$ 60,038, respectively, principally in Bolivian bolivianos, Peruvian nuevos soles, Paraguayan guarani, Mexican pesos and Colombian pesos. At December 31, 2014 and 2013, fixed interest rate loans amounted to US\$ 73,164 and US\$ 99,372, respectively.

Loans classified by public sector and private sector borrowers, are as follows:

	December 31,	
	2014	2013
Public sector	15,564,049	14,974,563
Private sector	3,577,928	3,026,102
	<u>19,141,977</u>	<u>18,000,665</u>

The average yield of the loan portfolio is shown below:

	December 31,			
	2014		2013	
	Amount	Average yield (%)	Amount	Average yield (%)
Loans	19,141,977	2.62	18,000,665	2.57

Loans by industry segments are as follows:

	December 31,			
	2014	%	2013	%
Agriculture, hunting and forestry	63,389	-	64,907	-
Manufacturing industry	399,627	2	314,443	2
Electricity, gas and water supply	6,613,662	35	6,146,592	34
Transport, warehousing and communications	7,091,245	37	6,340,756	35
Commercial banks	1,191,862	6	1,410,267	8
Development banks	571,100	3	586,198	3
Social and other infrastructure programs	3,047,281	16	2,995,347	17
Others	163,811	1	142,155	1
	<u>19,141,977</u>	<u>100</u>	<u>18,000,665</u>	<u>100</u>

Loans mature as follows:

	December 31,	
	2014	2013
Remaining maturities:		
Less than one year	2,717,459	2,547,989
Between one and two years	2,140,348	1,773,139
Between two and three years	1,919,126	2,072,016
Between three and four years	1,713,659	1,663,606
Between four and five years	1,815,106	1,463,564
Over five years	8,836,279	8,480,351
	<u>19,141,977</u>	<u>18,000,665</u>

The loan portfolio classified based on the type of credit risk is as follows:

	December 31,	
	2014	2013
Sovereign guaranteed	15,318,111	14,313,620
Non-sovereign guaranteed	3,823,866	3,687,045
	<u>19,141,977</u>	<u>18,000,665</u>

CAF maintains an internal risk rating system to evaluate the quality of the non-sovereign guaranteed loan portfolio, which identifies, through a standardized rating and review parameters, those risks related to credit transactions. The sovereign guaranteed loan portfolio is classified by CAF as satisfactory-excellent. For purpose of determining the allowance for loan losses, rating assigned by external agencies are used (Note 2g).

The credit quality of the non-sovereign guaranteed loan portfolio as of December 31, 2014 and 2013 is presented by internal credit risk type and classification, as follows:

	December 31,	
	2014	2013
Risk classification:		
Satisfactory - very good	1,802,917	1,464,326
Satisfactory appropriate	635,186	1,315,509
Watch	1,275,343	903,085
Sub-standard	93,875	4,125
Doubtful	16,545	-
	<u>3,823,866</u>	<u>3,687,045</u>

Loan portfolio quality

The loan portfolio quality indicators and the amounts related are presented below:

	December 31,	
	2014	2013
During the year CAF recorded the following transactions:		
Impaired loans	0	0
Loans written-off	4,125	4,125
Purchases of loan portfolio	0	0
Sales of loan portfolio	118,008	51,250
Trouble debt restructured	0	8,250
CAF presented the following amounts and quality indicators as of the end of the year:		
Non-accrual loans	16,545	0
Overdue loans	0	0
Allowance for loan losses as a percentage of loan portfolio	0.29%	0.21%
Nonaccrual loans as a percentage of loan portfolio	0.09%	0.00%
Overdue loan principal as a percentage of loan portfolio	0.00%	0.00%

A/B Loans

CAF administers loan-participations sold, and only assumes the credit risk for the portion of the loan owned by CAF. At December 31, 2014 and 2013, CAF had loans of this nature amounting to US\$ 1,558,400 and US\$ 1,480,369, respectively; whereas other financial institutions provided funds for US\$ 1,067,057 and US\$ 1,065,707, respectively.

Allowance for Loan Losses

Changes in the allowance for loan losses are presented below:

	December 31,					
	2014			2013		
	Sector			Sector		
	Sovereign	Non-sovereign	Total	Sovereign	Non-sovereign	Total
Balances at beginning of year	10,898	27,438	38,336	95,872	29,927	125,799
Debit (credit) to results of operations, net	9,343	12,209	21,552	(84,974)	1,557	(83,417)
Loans written-off	-	(4,125)	(4,125)	-	(4,125)	(4,125)
Recoveries	-	-	-	-	79	79
Balances at end of year	20,241	35,522	55,763	10,898	27,438	38,336

At December 31, 2013, as a result of the improvement in the determination of the allowance for loan losses on the loan portfolio, the provision for loan losses decreased by US\$ 84,886, recognizing the effect in the statement of comprehensive income.

7. EQUITY INVESTMENTS

Equity investments, which have no readily determinable fair value, are as follows:

	December 31,	
	2014	2013
Direct investments in companies accounted under equity method	9,169	8,435
Investment funds accounted under equity method	33,534	27,078
Direct investments in companies at cost	77,009	40,636
Investment funds at cost	172,633	152,236
	292,345	228,385
	292,345	228,385

Equity investments by country are summarized as follow:

	Equity Participation (%)	December 31,	
		2014	2013
Investment Funds:			
Bolivia	20	2,714	1,416
Brazil	Between 1 and 12	32,762	26,029
Colombia	Between 9 and 20	35,256	34,228
Mexico	Between 6 and 20	31,697	13,797
Peru	Between 6 and 16	12,200	14,790
Regional	Between 1 and 33	91,538	89,054
		206,167	179,314
		206,167	179,314
Direct Investments in companies:			
Argentina	17	2,000	2,000
Bolivia	20	9,169	8,435
Brazil	Between 14 and 20	7,000	-
Colombia	Between 10 and 20	26,482	5,023
Ecuador	Between 5 and 10	5,490	5,490
Peru	1	8,263	8,263
Regional	Between 2 and 20	27,774	19,860
		86,178	49,071
		292,345	228,385

Details of equity investments under equity method are as follows:

	Equity participation	Latest financial statements	December 31,	
			2014	2013
Companies				
Banco de Desarrollo de la Producción	20%	09/30/14	9,169	8,435
Funds:				
Darby Latinoamerican Mezzanine Fund II	20%	09/30/14	9,947	10,709
Emerging Energy Latinoamerican Fund	20%	09/30/14	2,434	163
Fondo de Fondos México II	20%	06/30/14	7,759	3,454
Microfinance Growth Fund	20%	09/30/14	6,167	6,353
Produanco Darby-Probanco Fund II	33%	09/30/14	4,513	4,983
Próspero Microfinanzas Fund	20%	09/30/14	2,714	1,416
			33,534	27,078

During 2014 and 2013, CAF recognized income for US\$ 9,020 and US\$ 5,044, respectively, due to dividends received from investments under cost method, which are included in the statements of comprehensive income.

At December 31, 2014, CAF recognized impairment for US\$ 7,307. At December 31, 2013, CAF did not recognize any impairment.

8. PROPERTY AND EQUIPMENT, NET

A summary of property and equipment follows:

	December 31,	
	2014	2013
Land	27,012	27,012
Buildings	26,169	23,662
Buildings improvements	19,786	18,375
Leased building improvements	6,770	4,882
Furniture and equipment	21,583	17,707
Vehicles	989	877
	102,309	92,515
Less accumulated depreciation	50,805	45,995
Projects in progress	17,499	20,379
	69,003	66,899

The depreciation expenses of US\$ 5,974 and of US\$ 5,554 for property and equipment for the year ended December 31, 2014 and 2013, respectively, are included in the statement of comprehensive income.

9. OTHER ASSETS

A summary of other assets follows:

	December 31,	
	2014	2013
Intangible assets, net	10,199	10,957
Deferred charges, net	36,470	40,507
Receivable from investment securities sold	4,551	-
Derivative related collateral	233,746	192,394
Other assets	25,572	30,083
	<u>310,538</u>	<u>273,941</u>

10. DEPOSITS

A summary of deposits follows:

	December 31,	
	2014	2013
Demand deposits	72,479	69,850
Time deposits:		
Less than one year	3,624,031	3,193,824
	<u>3,696,510</u>	<u>3,263,674</u>

At December 31, 2014 and 2013, the interest rates on time deposits ranged from 0.06% to 1.812% and from 0.02% to 1.597%, respectively. Deposits are issued for amounts equal to or more than US\$ 100. Total deposits in other currencies include US\$ 157,324 and US\$ 2,424, at December 31, 2014 and 2013, respectively.

11. COMMERCIAL PAPER

CAF's commercial paper of US\$ 1,853,282 at December 31, 2014 will mature in 2015 (US\$ 2,936,496 at December 31, 2013 - matured in 2014). At December 31, 2014 and 2013, the interest rates on commercial paper ranged from 0.145% to 0.458% and from 0.09% to 0.69%, respectively.

12. BORROWINGS

A summary of borrowings follows:

	December 31,	
	2014	2013
U.S. dollars	1,443,140	1,575,019
Peruvian nuevos soles	22,044	21,599
Venezuelan bolivars	30,159	17,460
Other currencies	5,853	8,838
	<u>1,501,196</u>	<u>1,622,916</u>
Fair value adjustments	13,450	5,947
Carrying value of borrowings	<u>1,514,646</u>	<u>1,628,863</u>

At December 31, 2014 and 2013, there are fixed interest-bearing borrowings in the amount of US\$ 545,171 and US\$ 407,082, respectively. At December 31, 2014 and 2013, the interest rates on borrowing ranged from 0.1324% to 12% and from 0.1244% to 12%, respectively.

Borrowings, by remaining maturities, are summarized below:

	December 31,	
	2014	2013
Remaining maturities:		
Less than one year	246,009	467,837
Between one and two years	441,506	252,882
Between two and three years	105,614	226,765
Between three and four years	184,241	95,912
Between four and five years	113,625	165,224
Over five years	410,201	414,296
	1,501,196	1,622,916

Some borrowing agreements contain covenants requiring the use of the proceeds for specific purposes or projects.

At December 31, 2014 and 2013 there were unused term credit facilities amounting to US\$ 569,342 and US\$ 609,859, respectively.

13. BONDS

An analysis of outstanding bonds follows:

	December 31,					
	2014			2013		
	At original exchange rate	At spot exchange rate	Weighted average cost, after swaps (%) (Year-end)	At original exchange rate	At spot exchange rate	Weighted average cost, after swaps (%) (Year-end)
U.S. dollars	6,109,320	6,109,320	2.03	5,115,006	5,115,006	2.35
Euro	3,571,411	3,230,302	1.62	2,119,345	2,196,752	1.95
Swiss francs	2,054,538	1,950,086	1.71	1,871,550	1,981,810	1.98
Australian dollars	525,233	471,269	1.26	524,464	514,224	1.31
Hong Kong dollars	386,060	386,212	1.69	223,982	224,139	2.03
Norwegian kroner	390,828	323,777	1.43	-	-	-
Japanese yen	418,819	294,807	2.45	671,631	524,109	2.10
Chinese renminbi	96,618	96,660	1.37	96,618	99,092	1.37
Colombian pesos	112,565	92,687	2.64	156,949	173,202	2.95
Mexican pesos	98,108	89,545	2.67	98,108	100,476	2.71
Turkish lira	70,089	67,408	0.34	-	-	-
Peruvian nuevos soles	32,331	35,412	0.73	94,736	103,875	1.13
South African rand	22,594	21,848	0.85	-	-	-
	13,888,514	13,169,333		10,972,389	11,032,685	
Fair value adjustments		690,607			159,816	
Carrying value of bonds		13,859,940			11,192,501	

A summary of the bonds issued, by remaining maturities, follows:

	December 31,	
	2014	2013
Remaining maturities:		
Less than one year	1,264,543	942,400
Between one and two years	1,560,577	1,265,305
Between two and three years	2,086,958	1,561,340
Between three and four years	1,315,182	887,692
Between four and five years	937,189	1,316,246
Over five years	6,724,065	4,999,406
	13,888,514	10,972,389

At December 31, 2014 and 2013, fixed interest rate bonds amounted to US\$ 13,059,963 and US\$ 10,539,306, respectively, of which US\$ 7,667,123 and US\$ 6,043,466, respectively, are denominated in Australian Dollars, Chinese renminbi, Colombian pesos, Euro, Hong Kong dollars, Japanese yen, Mexican pesos, Peruvian nuevos soles, Turkish lira, South African rand, Norwegian kroner and Swiss francs.

There were no bonds repurchased during the years ended December 31, 2014 and 2013.

14. ACCRUED EXPENSES AND OTHER LIABILITIES

A summary of accrued expenses and other liabilities follows:

	December 31,	
	2014	2013
Employees' severance indemnities, benefits and savings plan	68,382	64,780
Payable for investment securities purchased	5,683	-
Derivatives related collateral	99,413	121,501
Provision contingencies	2,474	3,643
Other liabilities	8,441	7,476
	184,393	197,400

15. PENSION PLAN

At December 31, 2014 the Plan has 421 participants and active employees. The measurement date used to determine pension plan benefit obligation is December 31.

For the year ended December 31, 2014 and 2013, a reconciliation of beginning and ending balances of the benefit obligation are as follows:

	December 31,	
	2014	2013
Change in benefit obligation:		
Benefit obligation at beginning of year	9,558	6,875
Service cost	1,206	1,084
Interest cost	406	297
Plan participants' contributions	1,170	1,050
Actuarial (gain) loss	(435)	333
Benefit paid	(611)	(81)
Benefit obligation at end of year	<u>11,294</u>	<u>9,558</u>

For the year ended December 31, 2014 and 2013, a reconciliation of beginning and ending balances of the fair value of plan assets are as follows:

	December 31,	
	2014	2013
Change in plan assets:		
Fair value of plan assets at beginning of year	9,098	6,359
Actual return on plan assets	183	126
Contributions	2,656	2,695
Benefit paid	(611)	(82)
Fair value of plan assets at year of year	<u>11,326</u>	<u>9,098</u>

As of December 31, 2014 and 2013, the plan assets are as follows:

	December 31,	
	2014	2013
Plan assets:		
Deposits with banks	<u>11,326</u>	<u>9,098</u>

The table below summarizes the component of the periodic cost of projected benefits related to the PBO for the years ended December 31, 2014 and 2013:

	December 31,	
	2014	2013
Service cost	1,206	1,084
Interest cost	406	297
Expected return on plan assets	(136)	(110)
	<u>1,476</u>	<u>1,271</u>

A summary of the net projected cost for the year 2015 follows:

Service cost:	
Contributions to the plan	1,234
Guaranteed benefit	204
	1,438
Interest cost	481
Expected return on plan assets	(170)
	1,749

Weighted-average assumptions used to determine net benefit cost since the origination of the Plan to December 31, 2014 and 2013 follows:

Discount rate	4%
Expected long-term rate return on Plan assets	1.5%
Salary increase rate	3%

16. STOCKHOLDERS' EQUITY

Authorized Capital

The authorized capital of CAF at December 31, 2014 and 2013 amounts to US\$ 10,000,000, distributed among Series "A", "B" and "C" shares.

Subscribed Callable Capital

The payment of subscribed callable capital will be as required, with prior approval of the Board of Directors, in order to meet financial obligations of CAF, when internal resources are inadequate.

Shares

CAF's shares are classified as follows:

Series "A" shares: Subscribed by the governments or public-sector institutions, semipublic or private entities with social or public objectives of: Argentina, Bolivia, Brazil, Colombia, Ecuador, Panama, Paraguay, Peru, Uruguay and Venezuela. Series "A" shares grant the right of representation on CAF's Board of Directors to one principal director and one alternate director for each of the above countries. These shares have a par value of US\$ 1,200.

Series "B" shares: Subscribed by the governments or public-sector institutions, semipublic or private entities and commercial banks of: Argentina, Bolivia, Brazil, Colombia, Ecuador, Panama, Paraguay, Peru, Uruguay and Venezuela. Each of these shares grants the right of representation on CAF's Board of Directors to one principal director and one alternate director for each of the following countries: Bolivia, Colombia, Ecuador, Peru and Venezuela. Also, the commercial banks that currently hold Series "B" shares of CAF are entitled, as a group, to elect one principal director and one alternate director on the Board of Directors. Series "B" shares have a par value of US\$ 5.

Series "C" shares: Subscribed by legal entities or individuals belonging to countries other than Argentina, Bolivia, Brazil, Colombia, Ecuador, Panama, Paraguay, Peru, Uruguay and Venezuela. These shares confer the right of representation on CAF's Board of Directors to two principal directors and their respective alternates, who are elected by the holders of these shares. Series "C" shares have a par value of US\$ 5.

A summary of the changes in subscribed and paid-in capital for the years ended December 31, 2014 and 2013 follows:

	Number of shares			Nominal amounts			Total
	Series "A"	Series "B"	Series "C"	Series "A"	Series "B"	Series "C"	
At December 31, 2012	10	663,168	61,775	12,000	3,315,840	308,875	3,636,715
Issued for cash	-	43,268	17,665	-	216,340	88,325	304,665
At December 31, 2013	10	706,436	79,440	12,000	3,532,180	397,200	3,941,380
Issued for cash	-	49,453	12,370	-	247,265	61,850	309,115
At December 31, 2014	10	755,889	91,810	12,000	3,779,445	459,050	4,250,495

Subscribed and paid-in capital at December 31, 2014 is presented as follows:

	Number of shares			Nominal amounts			Total
	Series "A"	Series "B"	Series "C"	Series "A"	Series "B"	Series "C"	
Stockholder:							
Argentina	1	75,445	-	1,200	377,225	-	378,425
Bolivia	1	44,319	-	1,200	221,595	-	222,795
Brazil	1	65,927	-	1,200	329,635	-	330,835
Colombia	1	153,278	-	1,200	766,390	-	767,590
Ecuador	1	44,640	-	1,200	223,200	-	224,400
Panama	1	18,747	-	1,200	93,735	-	94,935
Paraguay	1	18,376	-	1,200	91,880	-	93,080
Peru	1	158,290	-	1,200	791,450	-	792,650
Uruguay	1	22,746	-	1,200	113,730	-	114,930
Venezuela	1	153,712	-	1,200	768,560	-	769,760
Chile	-	-	5,541	-	-	27,705	27,705
Costa Rica	-	-	3,291	-	-	16,455	16,455
Dominican Republic	-	-	6,373	-	-	31,865	31,865
Jamaica	-	-	182	-	-	910	910
Mexico	-	-	11,757	-	-	58,785	58,785
Portugal	-	-	1,470	-	-	7,350	7,350
Spain	-	-	39,739	-	-	198,695	198,695
Trinidad & Tobago	-	-	23,457	-	-	117,285	117,285
Commercial banks	-	409	-	-	2,045	-	2,045
	10	755,889	91,810	12,000	3,779,445	459,050	4,250,495

At December 31, 2014, the detail of unpaid subscribed capital and of subscribed callable capital is presented below:

	Unpaid Subscribed Capital				Subscribed Callable Capital			
	Series "B"		Series "C"		Series "B"		Series "C"	
	Number of shares	Nominal amount	Number of shares	Nominal amount	Number of shares	Nominal amount	Number of shares	Nominal amount
Stockholder:								
Argentina	15,794	78,970	-	-	25,200	126,000	-	-
Bolivia	7,094	35,470	-	-	14,400	72,000	-	-
Brazil	21,931	109,655	-	-	25,200	126,000	-	-
Colombia	22,838	114,190	-	-	50,400	252,000	-	-
Ecuador	7,094	35,470	-	-	14,400	72,000	-	-
Panama	8,099	40,495	-	-	7,200	36,000	-	-
Paraguay	7,990	39,950	-	-	7,200	36,000	-	-
Peru	18,260	91,300	-	-	50,400	252,000	-	-
Uruguay	5,333	26,665	-	-	7,200	36,000	-	-
Venezuela	22,837	114,185	-	-	50,400	252,000	-	-
Chile	-	-	-	-	-	-	800	4,000
Dominican Republic	-	-	662	3,310	-	-	-	-
Mexico	-	-	-	-	-	-	1,600	8,000
Portugal	-	-	-	-	-	-	16,332	81,660
Spain	-	-	-	-	-	-	40,000	200,000
Trinidad y Tobago	-	-	-	-	-	-	-	-
Commercial banks	7	35	-	-	-	-	-	-
	<u>137,277</u>	<u>686,385</u>	<u>662</u>	<u>3,310</u>	<u>252,000</u>	<u>1,260,000</u>	<u>58,732</u>	<u>293,660</u>

Subscribed and paid-in capital at December 31, 2013 is presented as follows:

	Number of shares			Nominal amounts			Total
	Series "A"	Series "B"	Series "C"	Series "A"	Series "B"	Series "C"	
Stockholder:							
Argentina	1	69,308	-	1,200	346,540	-	347,740
Bolivia	1	41,653	-	1,200	208,265	-	209,465
Brazil	1	60,142	-	1,200	300,710	-	301,910
Colombia	1	145,733	-	1,200	728,665	-	729,865
Ecuador	1	41,957	-	1,200	209,785	-	210,985
Panama	1	17,816	-	1,200	89,080	-	90,280
Paraguay	1	13,646	-	1,200	68,230	-	69,430
Peru	1	149,160	-	1,200	745,800	-	747,000
Uruguay	1	20,432	-	1,200	102,160	-	103,360
Venezuela	1	146,166	-	1,200	730,830	-	732,030
Chile	-	-	5,541	-	-	27,705	27,705
Costa Rica	-	-	3,291	-	-	16,455	16,455
Dominican Republic	-	-	6,197	-	-	30,985	30,985
Jamaica	-	-	182	-	-	910	910
Mexico	-	-	11,757	-	-	58,785	58,785
Portugal	-	-	1,470	-	-	7,350	7,350
Spain	-	-	35,135	-	-	175,675	175,675
Trinidad & Tobago	-	-	15,867	-	-	79,335	79,335
Commercial banks	-	423	-	-	2,115	-	2,115
	<u>10</u>	<u>706,436</u>	<u>79,440</u>	<u>12,000</u>	<u>3,532,180</u>	<u>397,200</u>	<u>3,941,380</u>

At December 31, 2013, the detail of unpaid subscribed capital and of subscribed callable capital is presented below:

	Unpaid Subscribed Capital				Subscribed Callable Capital			
	Series "B"		Series "C"		Series "B"		Series "C"	
	Number of shares	Nominal amount	Number of shares	Nominal amount	Number of shares	Nominal amount	Number of shares	Nominal amount
Stockholder:								
Argentina	21,931	109,655	-	-	25,200	126,000	-	-
Bolivia	9,760	48,800	-	-	14,400	72,000	-	-
Brazil	27,716	138,580	-	-	25,200	126,000	-	-
Colombia	30,383	151,915	-	-	50,400	252,000	-	-
Ecuador	9,760	48,800	-	-	14,400	72,000	-	-
Panama	9,030	45,150	-	-	7,200	36,000	-	-
Paraguay	6,280	31,400	-	-	7,200	36,000	-	-
Peru	27,390	136,950	-	-	50,400	252,000	-	-
Uruguay	7,647	38,235	-	-	7,200	36,000	-	-
Venezuela	30,383	151,915	-	-	50,400	252,000	-	-
Chile	-	-	-	-	-	-	800	4,000
Dominican Republic	-	-	838	4,190	-	-	-	-
Mexico	-	-	-	-	-	-	1,600	8,000
Portugal	-	-	-	-	-	-	16,332	81,660
Spain	-	-	4,604	23,020	-	-	40,000	200,000
Trinidad & Tobago	-	-	7,590	37,950	-	-	-	-
Commercial banks	7	35	-	-	-	-	-	-
	180,287	901,435	13,032	65,160	252,000	1,260,000	58,732	293,660

General Reserve

CAF maintains a general reserve approved by the stockholders' Assembly, which is considered an equity reserve. Stockholders approved the increase in the reserve by US\$ 116,557 and US\$ 24,071 during the years ended December 31, 2014 and 2013, through appropriations from net income for the years ended December 31, 2013 and 2012, respectively.

Reserve Pursuant to Article N° 42 of the By-laws

CAF's by-laws requires that at least 10% of annual net income is to be appropriated to a reserve fund until that fund amounts to 50% of the subscribed capital, which is considered an equity reserve. Additional appropriation may be approved by the stockholders. At the stockholders' Assembly in March 2014 and 2013, it was authorized to increase the reserve by US\$ 21,200 and US\$ 16,100, through an appropriation from net income for the years ended December 31, 2013 and 2012, respectively.

17. DISTRIBUTIONS TO STOCKHOLDERS' SPECIAL FUNDS

The stockholders' Assembly may distribute a portion of retained earnings to special funds, created to promote technical and financial cooperation, sustainable human development, and management of poverty relief funds in stockholder countries. CAF has no residual interest in these funds.

In March 2014 and 2013, the stockholders' Assembly approved the distribution of US\$ 69,000 and US\$ 119,998, from retained earnings at December 31, 2013 and 2012, respectively, to the stockholders' special funds (Note 25).

Additionally, in March 2014, the stockholders' Assembly approved, effective 2015, the change in the accounting record of distributions to stockholders' special funds, recognizing them as expenses rather than as a decrease in retained earnings.

18. ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income balances as of December 31, 2014 and 2013, and the amounts reclassified out of accumulated other comprehensive income affected net income were as follows:

	December 31,	
	2014	2013
Balances at beginning of the year	(317)	-
Unrecognized changes in assets/ liabilities under benefit pension plan	32	(317)
Amortization of defined benefit pension items (1)	317	-
Balances at end of year	<u>32</u>	<u>(317)</u>

(1) This accumulated other comprehensive income component is included in administrative expenses in the statement of comprehensive income.

19. TAX EXEMPTIONS

CAF is exempt from all taxes on income, properties and other assets. It is also exempt from liability related to the payment, withholding or collection of any tax or other levy.

20. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

CAF utilizes derivative financial instruments to reduce exposure to interest rate risk and foreign currency risk. CAF does not hold or issue derivative financial instruments for trading or speculative purposes.

By using derivative financial instruments to hedge exposure to changes in interest rate and foreign exchange rates, CAF exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative financial instrument is positive, the counterparty owes CAF, creating credit risk for CAF. When the fair value of a derivative financial instrument is negative, CAF owes the counterparty and, therefore, it does not have credit risk. CAF minimizes the credit risk in derivative financial instruments by entering into transactions with high-quality counterparties whose credit rating is "A" or higher.

The market risk associated with interest rate and currency risk is managed by swapping loans and borrowings, subject to fixed interest rates and denominated in other currency into floating interest rate instruments denominated in U.S. dollars. CAF enters into derivative financial instruments with market risk characteristics that are expected to change in a manner that will offset the economic change in value of specifically identified loans, bonds or borrowings and other obligations. Derivative contracts held by CAF consist of interest rate and cross-currency swaps and are designated as fair value hedges of specifically identified loans, bonds or borrowings and other obligations with fixed interest rates or non U.S. currency exposure.

CAF also utilizes futures derivatives instruments to reduce exposure to risk. There are contracts for delayed delivery of securities or money market instruments in which the seller agrees to make delivery at a specified future date of a specified instrument at a specified price or yield. Initial margin requirements are met with cash or securities. CAF generally closes out open positions prior to maturity. Therefore, cash receipts or payments are limited to the change in fair value of the future contracts.

CAF monitors the credit risk associated with derivative financial instruments. Credit risk is managed by establishing exposure limits based on the credit rating and size of the individual counterparty, among other factors. To further reduce the credit risk in derivative financial instruments, CAF enters into credit support agreements with its major swap counterparties. This provides risk mitigation, as the swap contracts are regularly mark-to-market, and the party being the net obligor is requested to post collateral when net mark to-market exposure exceeds certain predetermined thresholds, which decrease as the counterparty's credit rating deteriorates. This collateral is in the form of cash or highly rated and liquid government securities.

CAF does not offset, for each counterparty, the fair value amount recognized for derivative financial instruments with the fair value amount recognized for the collateral, whether posted or received, under master netting arrangements executed with the same counterparty. CAF reports separately the cumulative gross amounts for the receivable from and payable to for derivative financial instruments.

At December 31, 2014 and 2013, balance sheet details related to CAF's derivative financial instruments is as follows:

:

	Derivative assets		Derivative liabilities	
	December 31,		December 31,	
	2014	2013	2014	2013
Interest rate swap	183,323	96,640	33,752	6,935
Cross-currency swap	199,790	320,774	349,150	175,889
Futures	-	244	155	-
Forward contracts	590	-	29	-
	<u>383,703</u>	<u>417,658</u>	<u>383,086</u>	<u>182,824</u>

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, 2014 and 2013:

	Notional amount		Fair value	
	Interest rate swap	Cross-currency swap	Derivative assets	Derivative liabilities
At December 31, 2014:				
Loans	-	18,351	3,151	187
Loans	6,125	-	-	46
Borrowings	419,167	-	13,766	316
Bonds	5,357,840	-	169,557	33,390
Bonds	-	7,803,396	196,639	348,963
	<u>5,783,132</u>	<u>7,821,747</u>	<u>383,113</u>	<u>382,902</u>

	Notional amount		Fair value	
	Interest rate swap	Cross-currency swap	Derivative assets	Derivative liabilities
At December 31, 2013:				
Loans	-	30,586	1,014	2,560
Loans	14,965	-	-	176
Borrowings	490,000	-	5,947	-
Bonds	4,560,840	-	90,693	6,759
Bonds	-	5,878,979	319,760	173,329
	5,065,805	5,909,565	417,414	182,824

The amount recognized for the right to receive collateral related with interest rate swaps and cross-currency swaps that have been offset at year-end 2014 and 2013, was US\$ 99,413 and US\$ 121,501, respectively. The amount recognized for the obligation to post collateral that have been offset at year-end 2014 and 2013, was US\$ 132,959 and US\$ 70,893, respectively.

The following table presents the notional amount and fair values of futures and the underlying hedged items at December 31, 2014 and 2013:

	Star date	Termination date	Contract currency	Notional amount	Fair value
					Derivative assets
At December 31, 2014:					
Forward contracts	Various	Untill Sep 2015	Various	560	590
Fair value					
	Star date	Termination date	Contract currency	Notional amount	Derivative assets
At December 31, 2014:					
Futures	Nov/Dec 2014	March 2015	Various	49,900	(81)
Futures	Nov/Dec 2014	March 2015	Various	4,900	(74)
				54,800	(155)
Forward contracts	Various	Untill Sep 2015	Various	(560)	(29)
				54,240	(184)
Fair value					
	Star date	Termination date	Contract currency	Notional amount	Derivative assets
At December 31, 2013: Futures	Nov/Dec 2013	March 2014	USD	(56,900)	244

The amount recognized for the obligation to post collateral related with futures that have been offset at year-end 2014, was US\$ 1,374.

For the years ended December 31, 2014 and 2013, all of CAFs' derivatives which had been designated as hedging relationship were considered fair value hedges. The change in the fair value of such derivative instruments and the change in fair value of hedged items attributable to risk being hedged are included in the statement of comprehensive income.

CAF enters into International Swaps and Derivatives Association, Inc. (ISDA) master netting arrangements with substantially all of its derivative counterparties. These legally enforceable master netting arrangements give CAF the right to take cash or liquidate securities held as collateral and to offset receivables and payables with the same counterparty, in the event of default by the counterparty. The following tables present information about the offsetting of derivative instruments, although CAF has elected not to offset any derivative financial instruments by counterparty in the balance sheet:

At December 31, 2014

<i>Derivative assets</i>	Description	Gross amounts of recognized assets	Gross amounts not offset in the balance sheet		Net amount
			Financial instruments	Cash and securities collateral received	
Swaps		383,113	(201,474)	(99,413)	82,226

<i>Derivative liabilities</i>	Description	Gross amounts of recognized liabilities	Gross amounts not offset in the balance sheet		Net amount
			Financial instruments	Cash and securities collateral pledged	
Swaps		(382,901)	201,474	132,959	(48,468)

At December 31, 2013

<i>Derivative assets</i>	Description	Gross amounts of recognized assets	Gross amounts not offset in the balance sheet		Net amount
			Financial instruments	Cash and securities collateral received	
Swaps		546,019	(184,757)	(121,501)	239,761

<i>Derivative liabilities</i>	Description	Gross amounts of recognized liabilities	Gross amounts not offset in the balance sheet		Net amount
			Financial instruments	Cash and securities collateral pledged	
Swaps		(311,429)	184,757	70,893	(55,779)

21. FAIR VALUE MEASUREMENTS

The following section describes the valuation methodologies used by CAF to measure various financial instruments at fair value, including an indication of the level in the fair-value hierarchy in which each instrument is classified. Where appropriate, the description includes details of the valuation models, the key inputs to those models, as well as any significant assumptions.

When available, CAF generally uses quoted market prices to determine fair value, and classifies such items in Level 1. In some cases where a market price is not available, CAF makes use appropriate valuation methodologies that require considerable judgment in developing and interpreting the estimates of fair value, in which case the items are classified in Level 2.

If quoted market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market parameters, such as interest rates, currency rates, etc. Items valued using such internally developed valuation techniques are classified according to the lowest level input or value driver that is significant to the fair value measurement. Thus, an item may be classified in Level 3 even though there may be some significant inputs that are readily observable.

Where available, CAF may also make use of quoted prices for recent trading activity in positions with the same or similar characteristics to the one being valued. The frequency and size of transactions and the amount of the bid-ask spread are among the factors considered in determining the liquidity of markets and the relevance of observed prices from those markets. If relevant and observable prices are available, those valuations would be classified as Level 2. If prices are not available, other valuation techniques would be used and the item would be classified as Level 3.

The following methods are used to estimate the fair value hierarchy of CAF's financial instruments:

- *Marketable securities:* CAF uses quoted market prices to determine the fair value of trading securities and these financial assets are classified in Level 1 of the fair-value hierarchy.
- *Loans:* The fair value of fixed rate loans, is determined using the current variable interest rate for similar loans. These loans are classified in Level 2 of the fair value hierarchy.
- *Derivative assets and liabilities:* Derivative transactions contracted and designated by CAF as hedges of risks related to interest rates, currency rates or both, for transactions recorded as financial assets or liabilities are also presented at fair value. In those cases the fair value is calculated using market prices provided by the counterparties. Derivative assets and liabilities are classified in Level 2 of the fair value hierarchy.
- *Bonds and borrowings:* For CAF's bonds issued and medium and long term borrowings, fair value is determined using an internal valuation technique, taking into consideration benchmark interest yield curves at the end of the reporting period to discount the expected cash flows for the applicable maturity, thus reflecting market fluctuation of key variables such as interest and exchange rates. These yield curves are adjusted to incorporate CAF credit risk spread. Those transactions are generally classified in Level 2 of the fair-value hierarchy depending on the observability of significant inputs to the model.

During 2014 and 2013, there were no transfers between levels 1, 2 and 3.

Items Measured at Fair Value on a Recurring Basis

The following tables present for each of the fair-value hierarchy levels CAF's assets and liabilities that are measured at fair value on a recurring basis at December 31, 2014 and 2013:

	Level 1	Level 2	Level 3	Total
At December 31, 2014:				
Assets:				
Marketable Securities:				
U.S. Treasury Notes	1,920,441	-	-	1,920,441
Bonds of non-U.S. governments and government entities	195,373	-	-	195,373
Financial institutions and corporate securities:				
Commercial papers	1,075,478	-	-	1,075,478
Certificate of deposits	2,264,749	-	-	2,264,749
Bonds	1,183,477	-	-	1,183,477
Collateralized mortgage obligation	292,214	-	-	292,214
Liquity funds	199,059	-	-	199,059
	<u>5,014,977</u>	<u>-</u>	<u>-</u>	<u>5,014,977</u>
	7,130,791	-	-	7,130,791
Loans	-	21,954	-	21,954
Derivative instruments:				
Interest rate swap	-	183,323	-	183,323
Cross-currency swap	-	199,790	-	199,790
Forward contracts	-	590	-	590
	<u>-</u>	<u>383,703</u>	<u>-</u>	<u>383,703</u>
	<u>7,130,791</u>	<u>405,657</u>	<u>-</u>	<u>7,536,448</u>
Liabilities:				
Borrowings	-	432,617	-	432,617
Bonds	-	13,124,319	-	13,124,319
Derivative instruments:				
Futures	-	155	-	155
Interest rate swap	-	33,752	-	33,752
Cross-currency swap	-	349,150	-	349,150
Forward contracts	-	29	-	29
	<u>-</u>	<u>383,086</u>	<u>-</u>	<u>383,086</u>
	<u>-</u>	<u>13,940,022</u>	<u>-</u>	<u>13,940,022</u>

	Level 1	Level 2	Level 3	Total
At December 31, 2013:				
Assets:				
Marketable Securities:				
U.S. Treasury Notes	674,749	-	-	674,749
Bonds of non-U.S. governments and government entities	130,390	-	-	130,390
Financial institutions and corporate securities:				
Commercial papers	1,982,228	-	-	1,982,228
Certificate of deposits	1,454,325	-	-	1,454,325
Bonds	1,165,255	-	-	1,165,255
Collateralized mortgage obligation	220,196	-	-	220,196
Liquity funds	193,151	-	-	193,151
Others	10,950	-	-	10,950
	<u>5,026,105</u>	<u>-</u>	<u>-</u>	<u>5,026,105</u>
	5,831,244	-	-	5,831,244
Loans	-	48,358	-	48,358
Derivative instruments:				
Futures	-	244	-	244
Interest rate swap	-	96,640	-	96,640
Cross-currency swap	-	320,774	-	320,774
	<u>-</u>	<u>417,658</u>	<u>-</u>	<u>417,658</u>
	<u>5,831,244</u>	<u>466,016</u>	<u>-</u>	<u>6,297,260</u>
Liabilities:				
Borrowings	-	495,947	-	495,947
Bonds	-	10,659,931	-	10,659,931
Derivative instruments:				
Interest rate swap	-	6,935	-	6,935
Cross-currency swap	-	175,889	-	175,889
	<u>-</u>	<u>182,824</u>	<u>-</u>	<u>182,824</u>
	<u>-</u>	<u>11,338,702</u>	<u>-</u>	<u>11,338,702</u>

Items that are not measured at fair value

The carrying amount and estimated fair values of CAF's financial instruments that are not recognized in the balance sheets at fair value are as follows:

	Hierarchy levels	December 31,			
		2014		2013	
		Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets:					
Cash and due from banks	1	141,147	141,147	230,051	230,051
Deposits with banks	1	1,279,267	1,279,267	1,462,208	1,462,208
Other investments	1	1,596,608	1,596,608	781,219	781,219
Loans, net	2	18,976,959	18,981,432	17,954,913	17,957,220
Equity investments (Cost method)	2	249,642	249,642	192,872	192,872
Accrued interest and commissions receivable	2	292,325	292,325	242,153	242,153
Financial liabilities:					
Deposits	2	3,696,510	3,696,510	3,263,674	3,263,674
Commercial paper	2	1,853,282	1,853,282	2,936,496	2,936,496
Borrowings	2	1,082,029	1,083,696	1,132,916	1,134,194
Bonds	2	735,830	737,349	532,570	534,326
Accrued interest payable	2	239,547	239,547	200,013	200,013

The following methods and assumptions were used to estimate the fair value of those financial instruments, not accounted for at fair value:

- *Cash and due from banks, deposits with banks, interest and commissions receivable, other investment, deposits, commercial paper and accrued interest payable:* The carrying amounts approximate fair value because of the short maturity of these instruments.
- *Loans:* CAF is one of the few institutions that grant loans for development projects in the stockholder countries. A secondary market does not exist for the type of loans granted by CAF. As rates on variable rate loans 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. The fair value of impaired loans is estimated on the basis of discounted cash flows.
- *Equity investments:* CAF's equity investments in other entities do not have available market price quotations. The fair value of equity investments is determined based on a financial analysis of the investees and any losses are recognized immediately in the statement of comprehensive income.
- *Bonds and borrowings:* For CAF's bonds issued and medium and long term borrowings, fair value is determined using an internal valuation technique, taking into consideration yield curves to discount the expected cash flows for the applicable maturity, thus reflecting the fluctuation of variables such as interest and exchange rates. These yield curves are adjusted to incorporate CAF credit risk spread. Those transactions are generally classified in Level 2 of the fair-value hierarchy depending on the observability of significant inputs to the model.

During 2014 and 2013, there were no transfers between levels 1, 2 and 3.

22. FAIR VALUE OPTION

CAF's management decided to measure at fair value those financial assets and liabilities denominated in currencies other than US dollars for which it has contracted a derivative as an economic hedge for other currency and interest rate risks.

The results recorded in the statement of comprehensive income resulting from the periodic cash flows and unrealized changes in fair value as of December 31, 2014 and 2013 for instruments for which the fair value option was chosen, and for derivatives used as economic hedges for these instruments, are as follows:

	December 31,	
	2014	2013
Bond related swaps	2,165	787
Bond related swaps	(690)	1,342
	1,475	2,129
	1,475	2,129

23. COMMITMENTS AND CONTINGENCIES

Commitments and contingencies include the following:

	December 31,	
	2014	2013
Loan commitments subscribed - eligibles	5,281,911	4,583,475
Loan commitments subscribed - non eligibles	2,836,455	1,965,410
Lines of credit	4,718,975	4,782,126
Letters of credit	16,776	58,641
Equity investments agreements subscribed	286,149	254,687
Guarantees	311,819	375,533

These commitments and contingencies result from the normal course of CAF's business and are related principally to loans that have been approved or committed for disbursement.

In the ordinary course of business, CAF has entered into commitments to extend loans; such financial instruments are recorded as loan commitments upon signing the corresponding loan agreement and are reported in the financial statements when disbursements are made. Loan commitments that have fulfilled the necessary requirements for disbursement are classified as eligible.

The commitments to extend loans have fixed expiration dates and in some cases expire without making disbursements. Also, based on experience, parts of the disbursements are made up to two years after the signing of the contract. Therefore, the total commitment amounts do not necessarily represent future cash requirements.

Guarantees mature as follows:

	December 31,	
	2014	2013
Remaining maturities:		
Less than one year	45,621	98,707
Between one and two years	12,000	-
Between four and five years	40,254	52,924
Over five years	213,944	223,902
	311,819	375,533

To the best knowledge of CAF's management, CAF is not engaged in any litigation that is material to CAF's business or that is likely to have any impact on its business, financial condition or results of operations.

24. ADMINISTRATIVE EXPENSES

For the years ended December 31, 2014 and 2013, CAF recorded administrative expenses as follows:

	December 31,	
	2014	2013
Salaries and employee benefits	74,111	67,388
Professional fees, seminars and other expenses	16,486	14,492
Logistics and infrastructure	15,038	13,066
Telecommunications and technology	11,043	9,051
	116,678	103,997

25. SPECIAL FUNDS AND OTHER FUNDS UNDER MANAGEMENT

CAF, as a multilateral financial institution, acts as administrator of several funds owned by third-parties and CAF's stockholders' special funds.

The special funds contribute to regional integration and sustainable development through capacity building, increased domestic and international exchanges, generation and use of knowledge, as well as training human resources and fortifying institutions, and CAF is responsible for their administration. The special funds are governed by the provisions of the Constitutive Agreement and any other provisions that may be established by the Board of Directors. The resources of the special funds are completely independent from the resources of CAF and are thus so maintained, accounted for, presented, utilized, invested, committed and otherwise disposed of. With regard to the use of the special funds, the financial responsibility of CAF, as administrator, is limited to the net assets and reserves of each of the constituted special funds. CAF has no residual interest in the net assets of the special funds.

As of December 31, 2014 and 2013, managed funds net assets are US\$ 508,638 and US\$ 537,651, respectively. The balances of main managed funds are as follows:

	December 31,t	
	2014	2013
Compensatory Financing Fund (FFC) (1)	330,736	350,010
Fund for the Development of Small and Medium Enterprises (FIDE)	54,810	56,879
Fund for the Promotion of Sustainable Infrastructure Projects (PROINFRA) (2)	-	25,440
Technical Cooperation Fund (FCT) (2)	55,936	25,826

Human Development Fund (FONDESHU) Program (PLAC)	15,604	17,610
Latin American Carbon, Clean Alternative Energies Program (PLAC)	7,228	7,158
Cross-Border Cooperation and Integration (COPIF)	-	3,724
Special Bolivia Fund (FEB) (2)	-	(767)
Others	44,324	51,771
	<u>508,638</u>	<u>537,651</u>

(1) FFC was created by CAF's stockholders for the purpose of compensating a portion of the interest costs of certain loans granted by CAF to finance economic and social infrastructure projects. For the year ended December 31, 2014 and 2013, FFC compensated interest amounting to US\$ 61,261 and US\$ 48,239, respectively.

(2) As of March 18, 2014 and according to the decision of the Board, these funds were combined, with the Technical Cooperation Fund (FCT).

26. SEGMENT REPORTING

Management has determined that CAF has only one reportable segment since it does not manage its operations by allocating resources based on a determination of the contributions to net income of individual operations. CAF does not differentiate between the nature of the products or services provided, the preparation process, or the method for providing services among individual countries.

For the years ended December 31, 2014 and 2013, loans made to or guaranteed by six countries individually generated an excess, before swaps, of 10% of loan income, as follows:

	December 31,	
	2014	2013
Argentina	71,292	60,632
Bolivia	46,488	41,959
Brazil	44,972	-
Colombia	42,757	45,251
Ecuador	62,249	61,951
Peru	64,459	60,346
Venezuela	71,846	73,020
	<u>404,063</u>	<u>343,159</u>

27. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 30, 2015, the date of issue of these financial statements. As a result of this evaluation, Management has determined that there are no subsequent events, that require a disclosure in CAF's financial statements at the year ended December 31, 2014, except for:

- On January 21, 2015 CAF priced bonds under its U.S. Shelf program for US\$ 1,000,000, Floating Rates Notes due 2018. The effective date of the bonds is January 29, 2015.

Governing bodies

Corporación Andina de Fomento

Shareholders' Meeting¹

The Shareholders' Assembly is CAF's highest authority. It meets in Ordinary sessions once a year, within ninety days following the end of the fiscal year; and in Extraordinary sessions, according to need. The Assembly is comprised of Series A, B and C shareholders. The Assembly approves the Annual Report of the Board of Directors, the audited financial statements, and determines the allocation of net income. In addition, it elects Board members, according to the provisions set forth in the "Agreement establishing the Corporación Andina de Fomento", appoints the external auditors and examines other issues submitted to its consideration.

Board of Directors²

The Board of Directors is comprised of representatives of Series A, B and C shareholders. It establishes CAF's policies, appoints the President, approves credit operations, the annual budget, and approves guarantees, investments and other operations within CAF's mandate. Approvals of certain operations are delegated to the Executive Committee or the President, according to criteria set forth by the Board.

Executive Committee

The Executive Committee was established by the Board of Directors in 1971. It is comprised of directors designated by Series A, B and C shareholders, and is chaired by the President. It approves financial operations within the limits established by the Board.

Audit Committee³

The Audit Committee was established by the Board of Directors in July, 1996. It is comprised of the Chairman of the Board, Directors elected by the Board for a two-year period, and CAF's President. It recommends the selection of external auditors and reviews their annual work program. It also reviews the Institution's annual report and financial statements, with the corresponding auditors' opinion, before their submission to the Board and Shareholders Assembly; the Internal Audit Reports on the structure of internal control systems; the annual portfolio risk management program and the annual report on its implementation.

President

The President is CAF's legal representative. As CEO, he is in charge of the Institution's overall supervision and management, as well as all matters which are not specifically entrusted to any other governing body. Likewise, he approves CAF's country and sector strategies, decides on organizational and procedural issues under his authority, and authorizes the Institution's financial operations within the limits delegated to him by the Board of Directors. The President is assisted by an Advisory Council composed of experts from the economic, business, and financial communities of the region, whose main task is to support the President in the analysis of CAF's strategic objectives. The President is appointed for a five year period, and may be re-elected.

1 The XLV Ordinary Shareholders' meeting was held on March 18, 2014.

2 During 2014, three Board of Directors meetings were held on March 18 (CL Board of Directors Meeting), July 15 (CLI Board of Directors Meeting) and December 5 (CLII Board of Directors Meeting).

3 The XXIII and the XXIV Comité de Auditoría were held on March 17 and December 4, 2014, respectively.

Board of directors

(2014-2017)

Chairman of the Board (2014-2015)

Mario Bergara (as of December 31st, 2014)*

Minister of Economy and Finance of Uruguay

Serie "A" Shareholders 2014-2017

ARGENTINA

Principal: Axel Kicillof

Minister of Economy and Public Finance

Alternate: Julio Miguel De Vido

Minister of Federal Planning,
Public Investment and Services

BOLIVIA

Principal: Elba Viviana Caro Hinojosa

Minister of Planning of
Development

Alternate: Harley Rodríguez Téllez

Vice Minister of Public
Investment and External Financing

BRAZIL

Principal: Miriam Belchior

Minister of Planning,
Budget and Management

Alternate: João Guilherme Rocha Machado

Secretary of International
Affairs of the Ministry of Planning,
Budget and Management

COLOMBIA

Principal: Mauricio Cárdenas

Minister of Finance and Public Credit

Alternate: Cecilia Álvarez Correa

Minister of Commerce, Industry and Tourism

ECUADOR

Principal: María Soledad Barrera

President of the Board Directors
of Corporación Financiera Nacional

Alternate: Xavier Reyes

General Manager
Corporación Financiera Nacional

PANAMA

Principal: Dulcidio de La Guardia

Minister of Economy and Finance

Alternate: Iván Zarak, Vice Minister of Economy

PARAGUAY

Principal: Germán Rojas, Minister of Finance

Alternate: Daniel Correa

Vice Minister of Finance

PERU

Principal: Alonso Segura Vasi

Minister of Economy and Finance

Alternate: Carlos Augusto Oliva Neyra

Vice Minister of Finance

URUGUAY

Principal: Mario Bergara

Minister of Economy and Finance

President of the Board Directors 2014 - 2015

Alternate: Alberto Graña

President of the Central Bank of Uruguay

VENEZUELA

Principal: Rodolfo Marco Torres

Minister of Economy, Finance
and Public Banking

Alternate: Simón Alejandro Zerpa

Vice Minister of Investment for
Development and President of
Banco de Desarrollo Económico y
Social de Venezuela - BANDES

Serie "B" Shareholders 2014-2017

BOLIVIA

Principal: Luis Alberto Arce

Minister of Economy and Public Finance

Alternate: Roger Edwin Rojas Ulo

Vice Minister of Treasury and
Public Credit

COLOMBIA

Principal: José Darío Uribe

General Manager of Banco
de la República

Alternate: Simón Gaviria

General Director of National
Planning Department

ECUADOR

Principal: Fausto Herrera

Minister of Finance

Alternate: Mateo Villalba

General Manager of
Central Bank of Ecuador

PERU

Principal: Jorge Luis Ramos

General Manager of
Directors of Corporación
Financiera de Desarrollo (COFIDE)

Alternate: José Gasha Tamashiro

Vice Minister of Economy

VENEZUELA

Principal: Simón Alejandro Zerpa

Vice Minister of Investment for
Development and President of
Banco de Desarrollo Económico y
Social de Venezuela - BANDES

Alternate: Santiago Armando Lazo

Executive Vicepresident
Banco de Desarrollo Económico y
Social de Venezuela - BANDES

BANCA PRIVADA

Principal: Efraín Enrique Forero Fonseca

President of Banco Davivienda, S.A. Colombia
Alternate: Francisco Ortega, President of
the Board of Directors, Banco del Pacífico
S.A. of Ecuador

Serie "C" Shareholders 2014-2017

SPAIN

Principal: Luis de Guindos Jurado

Minister of Economy and Competitiveness

MEXICO

Principal: Luis Videgaray

Secretary of Finance and Public Credit

DOMINICAN REPUBLIC

Alternate: Simón Lizardo Mezquita

Minister of Finance

CHILE

Alternate: Eduardo Bitran Colodro

Executive Vicepresident of CORFO

*Until March 31, 2014, Luis Miguel Castilla Rubio, Minister of Economy and Finance of Peru, was CAF's Chairman of the Board.

EXECUTIVE MANAGEMENT

(As of December 31, 2014)

President and Chief Executive Officer L. Enrique García
Executive Vicepresident Luis Enrique Berrizbeitia
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Products and services

CAF's activities are aimed at supporting sustainable development and regional integration among its shareholder countries. As a multilateral source of financial resources, the Institution attracts funds from international markets to Latin America, with the objective of promoting investment and trade opportunities in the region.

Likewise, CAF provides resources generally non-reimbursable, for a series of special programs that support its mission within the framework of its Agenda for Comprehensive Development.

These funds are devoted to socioeconomic development in shareholder countries, through the Financing of operations that contribute to improving the competitiveness of their economies, the development of infrastructure, physical integration, the promotion of micro-, small- and medium-sized businesses, the strengthening of financial markets, the development of human capital and the reform and modernization of states.

The Institution offers financial products and services to shareholder states and public, private and mixed capital companies based in shareholder countries.

The products and services offered by CAF are mainly aimed at supporting the implementation of its Agenda for Comprehensive Development and its special programs. They include a series of financial tools designed to meet clients' requirements and market opportunities, under the following headings:

Loans

Loans represent CAF's main financing tool. They are employed in investment projects and activities related to the Institution's corporate mission.

Project financing

Project Financing loans are allocated to develop and execute projects in road transportation, telecommunications, water and environment, border development and the physical integration of shareholder countries. CAF also provides financing to corporate projects in the industrial field, to enhance and renovate productive capacity and to insert businesses into regional and global markets.

Credit lines

Credit lines allow the Institution to offer maximum resources for a given period without an express commitment to the client.

Project structuring and financing

CAF actively participates in the financing of projects structured with limited guarantees (limited recourse lending). This category is mainly utilized for the financing of BOO (Build, Operate and Own) operations in the infrastructure sector, generally arising from concessions granted by governments, or to finance oil and gas, mining and other extractive projects.

Co-financing

Co-financing is a type of loan that complements the financial resources provided by CAF and attracts external capital to the region. Through these instruments, the Institution grants the A portion of the loan using its own resources, while distributing the B portion among international banks and institutional investors. In addition, CAF co-finances operations with other multilateral organizations, such as the Inter-American Development Bank, the World Bank, the International Investment Corporation, the Nordic Investment Bank, the International Finance Corporation and the International Fund for Agricultural Development, as well as with official bodies and local and international private banks.

Support to the private sector

The private sector has a direct impact as a wealth creator, a generator of employment and a promoter of trade and markets. Companies also have a key multiplier role in education and technology transfer.

CAF promotes the participation of the private sector in investment projects in the productive sectors of shareholder countries. In addition, the Institution offers advice on governance, corporate governance and the promotion of corporate social responsibility, which also requires the active participation of the sector, and structures physical integration projects to include private sector participation, on account of the large capital investments involved in infrastructural developments.

It offers direct assistance through traditional term loans and indirect assistance through partial credit guarantees for government obligations in the underlying transactions or part-financing.

An example of CAF's activities in this regard is the advice given on the structuring of concessions in the framework of Peru's Inter-Oceanic Roads project, which was successfully financed by the private sector.

Guarantees

Guarantees are used by the Institution to back up credit operations approved by other sources for governments, businesses and financial institutions.

Partial Credit Guarantees

Partial Credit Guarantees (PCG) are financial instruments through which a portion of the credit risk of a client's obligation is guaranteed to a third party. Through this mechanism, CAF attracts fresh resources to the region and stimulates the activities of private financial sources by offering conditions that would otherwise not be available.

Financial advice

The Institution provides financial advice to public and private sector clients. Among other services, CAF offers advice in: i) the definition and structuring of financial plans for projects and companies; ii) the design and implementation of public bid processes to delegate the private sector the construction, operation and administration of infrastructure and public service works, such as public private partnerships and concessions; iii) preparation of private sectors offers to participate in public bid processes; iv) mergers and acquisitions; and v) valuations.

Public-Private Participations

CAF actively participates in the structuring of financing operations with the private sector, in order to overcome the shortage of funds available to finance infrastructural projects. Through this participation, CAF contributes to the process of financial engineering needed to structure this type of operation, offers advice to the parties involved, and promotes the development and strengthening of capital markets.

Treasury services

Treasury services include deposits via the money desk, from overnight to 12 months, offered by CAF to its shareholder countries.

Equity investments

Equity investments are capital investments utilized by CAF to support business development in shareholder countries and their access to capital, as well as to attract resources to the region.

Cooperation funds

CAF uses cooperation funds to finance specialized operations that complement the existing technical capacity of shareholder countries, to promote special programs that contribute to sustainable development and regional integration. These funds may be reimbursable, non-reimbursable or of conditional recovery, depending on the nature and purpose of the operation.

Cooperation funds are primarily intended to support reforms related to state modernization processes, such as privatization, administrative decentralization and institutional strengthening.

They also contribute to export and investment plans, the development and integration of the region's financial and capital markets, technology transfer and adaptation, environmental protection, social development and the promotion of cultural values.

CAF also administrates and supervises funds, mostly non-reimbursable, from other countries and bodies, which are devoted to financing programs agreed with donor organizations and according to the policies and strategies of the Institution.

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The background of the page features a series of concentric circles in shades of blue, centered around the text. The circles create a sense of depth and focus on the central text.

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