

Supporting climate change mitigation and adaptation in Central America

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The Central American Bank for Economic Integration (CABEI) is a multilateral development bank with the primary objective of promoting economic integration and sustainable development in Central America by providing financial resources, technical assistance, and other services to its member countries. The organization plays a crucial role in financing public and private sector investments in the region and supporting regional integration initiatives.

CABEI is owned by 15 member countries: Belize, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, the Dominican Republic, Cuba, and several non-regional countries; Argentina, Colombia, South Korea, Spain, and the Republic of China Taiwan. Since its establishment in 1960, CABEI has been a key player in the Central American region, offering financial resources to both the public and private sectors. With a capital of US\$ 7 billion, the bank has provided a total disbursement of US\$ 37 billion as of 2022, driving economic progress, social development, and regional synergies.

One of the main roles of CABEI is to provide financing to support development projects, with provides loans, grants,

and technical assistance to support a wide range of initiatives, including infrastructure development, energy, transportation, agriculture, education, health, and housing. CABEI is committed to promoting inclusive and sustainable development and environmental sustainability, as well as ensuring that its projects have a positive social impact.

The bank's efforts have been recognized internationally, as evidenced by Moody's Investor Service, increasing CABEI's long-term international risk rating from A1 to Aa3 in 2019, and Standard & Poor's confirmation of its international credit rating at AA. These ratings have solidified CABEI's position as the best credit risk in Latin America and significantly improved its prospects of achieving an AAA indicator. As a result, the bank has continued to grow, establishing itself as the most significant source of multilateral funding in the region.

CABEI's role in the region cannot be overstated, with the bank's efforts to promote regional integration and cooperation ensuring that development initiatives are coordinated effectively, leading to increased regional synergies. As CABEI continues to expand its reach and impact, it will play a crucial role in building a more prosperous and integrated Central America.



Image: CABEI



Image: CABI

Green resources mobilization

As the dominant multilateral development bank in Central America, supporting both public and private sector entities, especially through the funding of climate change initiatives, CABI has extensive experience combining resources from different funding sources to enhance the availability of funds deployed to its member countries; especially those under ESG (environmental, social, and governance) considerations. CABI has a proven and highly regarded strategy for mobilizing funds through financial instruments such as loans, grants and guarantees.

It is also important to note that one of the implementation guidelines of its 2020–2024 institutional strategy is the promotion of initiatives for environmental sustainability, under which projects for climate change mitigation and climate change adaptation support the strengthening of low-carbon economies, resilient societies, sustainable food production systems, clean energy generation and resource efficiency.

CABI has been continually accessing the international capital markets to fund its portfolio of robust and high impact climate solutions through its Green Bond Framework initially established in 2019 and updated in 2022 to include blue taxonomy; thus, becoming a Green and Blue Bond Framework. The framework is aligned with the ICMA Green Bond Principles and is consistent with the voluntary Sustainable Blue Economy Finance Principles, hosted by the United Nations Environment Program Finance Initiative.

In addition, the development of the framework considered other highly relevant taxonomies in the international context, such as the European Union (EU) taxonomy for sustainable activities, the Climate Bonds Taxonomy and the IFC Guidelines for Blue Finance. Under its Green and Blue Bond Framework, which has a favourable second party opinion from Sustainalytics, CABI has issued five green bonds for an aggregate of US\$ 910.2 million, and two blue bonds for an aggregate of US\$ 145.9 million.

CABI has also mobilized a total of US\$ 1,200 million in climate change resources from other development partners to its member countries, through three different financial mechanisms: on-lending, co-financing, and grants. Such development partners include: KfW Development Bank, the French Development Agency (AFD), the Official Credit Institute (ICO) of Spain, the EU, the Japan Bank for International Cooperation (JBIC) and the Ministry of Economy and Finance (MOEF) from the Republic of Korea.

In addition, CABI is accredited with global funds such as the Green Climate Fund (GCF) and the Adaptation Fund (AF) and has also undergone the EU's Pillar Assessment. In the case of GCF, to date, CABI has obtained the approval of four investment projects for an aggregate of US\$ 525.2 million, and three technical assistance operations for an aggregate of US\$ 2 million (one financing proposal and two readiness proposals), further consolidating CABI's position as main provider of climate finance solutions for the Central American region. CABI has also mobilized resources from the Adaptation Fund for regional interventions that increase the adaptive capacity of Central American vulnerable communities.

General elements of CABI's contribution to the SDGs

According to CABI's Institutional Strategy for 2020–2024 the bank defined five main sustainable development focus areas: regional integration, sustainable competitiveness, human development, environmental and social sustainability, and gender equality, areas that are key contributors to the 17 Sustainable Development Goals (SDGs) that the United Nations has set and that all countries have adopted as common goals.

During the last five years CABI has been focusing on making the greatest impact on the SDGs, approving a total of 128 projects in 10 countries, causing a domino effect of growth for the region and impacting the 17 SDGs during this period.

CABEI has provided loans to governments and the private sector for infrastructure development, renewable energy, gender equity and poverty reduction. For example, it has provided financing to governments for the construction of roads and bridges, thereby improving transportation and access to services. Such projects have mitigated the effects of COVID-19 on the economy. In addition, it has provided financing to private companies for renewable energy projects, such as wind farms and solar plants, reducing emissions and improving energy security. It has also provided financing and technical assistance for poverty reduction operations, such as education and health initiatives, thus improving the quality of life in the region.

In 2018, a total of 24 operations were approved, which had an impact on 12 of the 17 SDGs, with SDGs 8 and 9 having the greatest impact, promoting during that year sustainable economic growth, full and productive employment, and decent work for all, as well as fostering innovation and sustainable infrastructure. In 2019 a total of 21 operations were approved, the SDGs with the greatest impact were SDGs 8 and 9. In 2020, the first year of the pandemic, 16 of the 17 SDGs were impacted through 26 operations approved that year, with most of the projects aimed at reducing extreme poverty and improving the lives of the poor, with emphasis at improving the health and welfare of all people. In 2021, the same line of work was followed and a total of 28 highly employment-oriented operations were approved. In 2022, the bank, through the first round of poverty reduction Development Policy Operations (DPOs), together with other conventional operations, succeeded in having a great impact on SDG 1, whose purpose is to eradicate poverty. In that year employment generation, poverty reduction and infrastructure improvement were key elements in the 29 operations approved by the bank.

Projects for funding in action

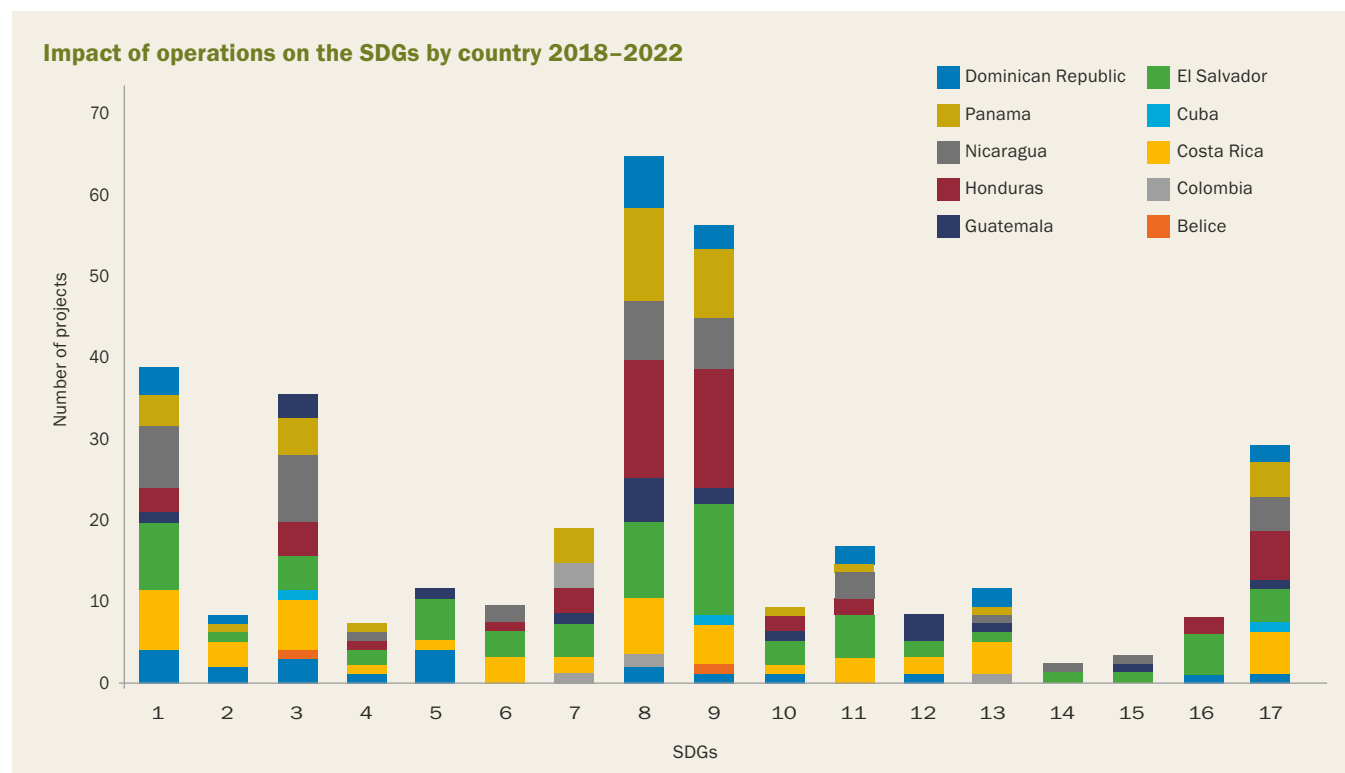
The NICADAPTA programme

Financed by CABEI for US\$ 7 million and executed by the Nicaraguan Ministry of Family, Community, Cooperative and Associative Economy (MEFCCA), this national programme was successfully completed in April 2021, benefiting the prioritized areas of 52 municipalities in the departments of the north of the country, in particular communities and territories of the Nicaraguan Caribbean coast. Framed within CABEI’s Rural Development and Environment Strategic Axis, each of the activities directed from NICADAPTA contributed to the reduction of poverty with a gender approach and to the support of new youth ventures and a representative number of families belonging to indigenous groups and Afro-Caribbeans.

More than 24,000 small producers who own less than 20 ha planted with coffee and cocoa benefited. They managed to acquire new skills to efficiently manage their businesses, increase the productivity of their crops, adapt them to climate change and achieve greater access to markets and new technologies. Also, a total of 25,762 rural families received technical assistance and training in practices and technologies for adaptation to climate change as part of the programme. Two new varieties of coffee and cocoa were also incorporated into their production.

The GEPRI dry corridor programme

This is an ecosystem-based adaptation programme to increase climate resilience in the Central American dry corridor and the arid zones of the Dominican Republic, with the main objective of strengthening the adaptive capacity of vulnerable people, including smallholder and commercial farmers, as well as rural communities and entrepreneurs across Guatemala, Honduras, El Salvador, Costa Rica, Nicaragua, and Panama. It is expected





Images: CABEI



to benefit more than 1,084,441 people directly and more than 1,364,044 people indirectly in the region. The programme funds are US\$ 217.1 million, of which the GCF will contribute US\$ 174.3 million and CABEI US\$ 42.8 million.

CAMBio II

The Productive Investment Initiative for Adaptation to Climate Change (CAMBio II), has an approved amount of US\$ 28 million to which the GCF will contribute US\$ 15.5 million and CABEI US\$ 12.5 million. This initiative will support MSMEs in accessing credit, technical assistance and incentives for climate change adaptation investments in sectors related to agroforestry, organic agriculture, silvopastoral systems, sustainable tourism, productive activities in private/community protected areas, sustainable forest management, sustainable fisheries and aquaculture, among others in Guatemala, Honduras, El Salvador, Costa Rica, Nicaragua, and Panama and in the arid zones of the Dominican Republic.

The bank's ambition for the region

CABEI through its institutional strategy 2020–2024 informs the international community, and especially Central American society, of the opportunities to contribute to the growth and reactivation of economies in the region, its commitment to deepen the social impact of its operations and its interest in seeking new spaces for collaboration with the rest of the world.

The Bank continuously promotes economic integration and balanced economic and social development of the Central

American region. This will be accomplished by promoting integration beyond the commercial scope and developing regional capacities that provide the area with better opportunities to compete in the global markets.

It is important to note that CABEI offers its member countries various financing modalities and financial instruments for the implementation of actions in favour of the region's development and directed to the public and private sectors. To contribute to inclusive economic growth and support countries in their development policies, the financial system is an essential key to meet the requirements of the private sector and enhance its role in economic activity. Direct financing to the private sector should respond to the specific interest of the country authorities and then established in the bank's institutional strategy.

Providing financial resources, technical assistance, and other services to support the prioritized projects of national governments as well as regional integration projects that have a positive social impact on two or more countries, CABEI will continue to be a key strategic partner for the sustainable growth of the area by promoting and improving regional integration, human development, gender equity and sustainable environmental and social development in the region.

CABEI seeks to position the region in the global context highlighting the nature of markets with similar economic characteristics and potential. In the current context in which large market groupings tend to concentrate increasingly more narrowly and closely, it is desirable that the region be seen as a totality, but without ignoring its national differences.