



ADAPTATION FUND

4 January 2022

Adaptation Fund Board

Accreditation Panel Recommendation on the Fast-Track Re-accreditation of the Central American Bank for Economic Integration (CABEI) as a Regional Implementing Entity (RIE) of the Adaptation Fund

Having reviewed the fast-track re-accreditation application of the Central American Bank for Economic Integration (CABEI), the Accreditation Panel recommended that CABEI be re-accredited as a Regional Implementing Entity (RIE) of the Adaptation Fund.

A summary of the review is presented in Annex I below.

Re-accreditation Decision:

Having considered the recommendation of the Accreditation Panel and following the fast-track re-accreditation process approved by Decisions B.28/38, the Adaptation Fund Board decided to re-accredit the ***Central American Bank for Economic Integration (CABEI)*** as a Regional Implementing Entity (RIE) of the Adaptation Fund for five years, as per paragraph 38 of the operational policies and guidelines for Parties to access resources from the Adaptation Fund. The accreditation expiration date is 3 January 2027.

Decision B.37-38/3

ANNEX I:

REPORT OF THE ACCREDITATION PANEL ON AN ASSESSMENT OF THE CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION (CABEI) FOR FAST TRACK RE-ACCREDITATION AS A REGIONAL IMPLEMENTING ENTITY (RIE) OF THE ADAPTATION FUND

Background

The Central American Bank for Economic Integration (CABEI) - in Spanish, the Banco Centroamericano de Integración Económica (BCIE) - is a regional financial institution established in December 1960. The Bank's objective, in accordance with Article 2 of its Constitutive Agreement, is to promote the economic integration and the balanced economic and social development of the Central American region. CABEI's headquarters is in Tegucigalpa, Honduras and it maintains country offices in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panamá.

CABEI's governance is modelled on those of the major international financial institutions. It is governed by a Board of Governors. Each member country is represented by one governor and one alternate governor. The Board of Directors is the body responsible for the direction of CABEI. It exercises all the powers delegated thereto by the Board of Governors and defines the operational and administrative policies, approves the budget as well as the short, medium and long-term plans. It also determines the Bank's basic organization, exercises control of Administration's management and proposes to the Board of Governors the constitution of capital reserves. The highest authority of the administration and the legal representative of the institution is the Executive President.

Environmental sustainability and reduction of vulnerability to natural disasters associated with climate change, and gender equity have been considered a fundamental underpinning for the Bank's work as expressed in its strategic plans, and these have been incorporated as transversal axes in CABEI's 2020-2024 Strategy.

CABEI has extensive experience in funding and overseeing development projects and programmes, taking into account the member country's sustainability and social priorities. In doing so, the applicant has become a major regional partner for the countries' governments in the area of sustainable finance and climate change related initiatives in Central America. The applicant has demonstrated a substantial track record in providing and managing finance for medium-large projects, as well as to microfinance programmes in the renewable energy generation, energy efficiency, urban development, waste recycling, water management, agriculture, forestry and biodiversity conservation sectors.

The AF Board approved CABEI's accreditation as a Regional Implementing Entity in October 2015. It is not yet implementing any AF projects. It submitted its application for re-accreditation to the Secretariat via the online workflow system in November 2020. CABEI received Green Climate Fund (GCF) fast track accreditation without conditions in December 2016 based on the AF's and European Union's Directorate-General for International Development and Cooperation (DG DEVCO)'s accreditations. It is currently implementing one GCF project.

Assessment against the fast-track re-accreditation criteria

CABEI has been assessed for fast-track re-accreditation pursuant to the Fund's Board Decision B.28/38, due to its having been accredited by the Green Climate Fund in 2016. The Assessment for fast-track re-accreditation was conducted using the criteria as set out in Board Decision B.28/38 (Fast-track re-accreditation of implementing entities accredited with the Green Climate Fund) based on AFB/EFC.19.7 of December 2016; Decision B.31/1 (Focus areas of review of a fast-track re-accreditation) based on AFB/B.31 of March 2018; B.32/36 (Accreditation standards related to anti-money-laundering/countering the financing of terrorism) based on AFB/EFC.23/4; and Decision B.34/3 (Revised re-accreditation process) based on AFB/B.34/5 and its annexes. The Panel's review focused on the following criteria:

- ❖ **The Fiduciary Standard related to the legal status** - Under its Constitutive Agreement, it has its own legal personality, is able to receive funds directly, sign agreements with other international organizations and can institute legal proceedings.
- ❖ **Policies and procedures related to anti-money-laundering/countering the financing of the terrorism (AML-CFT) on disbursements, procurement, breaches of financing laws, and necessary investigation activities** - CABEI meets the criteria elements related to anti-money laundering and countering the financing of terrorism (AML-CFT). It has an AML-CFT policy, most recently updated in 2016, and supporting Manual for managing related risks. It has adopted a screening system which documents all individuals and/or organizations before the entity transfers money to them; there is a codified decision-making process that the entity follows when it identifies risks related to any individuals and/or organizations. While CABEI reports there have been no recent cases, where AML-CFT issues are identified by CABEI's controls, reporting to relevant national authorities, usually Financial Intelligence Units, is centralized through the Integrity and Compliance Unit and the Executive President's Office.
- ❖ **Policies and Framework to deal with financial mismanagement and other forms of malpractice** – CABEI includes a statement of zero tolerance in its Board-approved anti-fraud policy and a similar statement in its Code of Ethics, as well as in its Spanish and English websites. It has put in place a comprehensive communications initiative to ensure dissemination of its stance on fraud, corruption and other prohibited conduct.

Since initial accreditation, CABEI has strengthened its policies, structures and processes in place to promote ethical behavior and integrity within the organization and among third parties engaged in business with it, including loan and grant recipients. This includes codes of ethics, conflict of interest and anti-fraud policies, reporting channels and whistleblower protection. Its anti-fraud measures include requirements for periodic risk assessments and internal audit reviews focused on anti-fraud measures.

CABEI maintains an investigation function, reporting directly to the Executive President, which may carry out or outsource investigations focused on allegations or indications concerning projects. The investigation process is supported by a Board-approved Manual which reflects good practice for multilateral organization investigations. Results of investigations are reviewed by an Integrity Committee which takes decisions on sanctioning measures. CABEI provided evidence that its investigation function and the Integrity Committee are operating according to its policies. For ethics-related violations, CABEI has a process led by the Ethics Officer and Ethics Committees to investigate and take decisions on sanctioning measures. Special measures are in place for Board members and senior officials.

- ❖ **Commitment by the entity to apply the Fund’s Environmental and Social Policy and Gender Policy** – CABEL has provided a top-level management statement to the AF confirming that it will abide by the AF Environmental and Social (E&S) and Gender Policies in AF-funded projects.

Since initial accreditation, CABEL has significantly strengthened its own E&S policies and capacity, and it has put in place an E&S risk management system applicable to projects it is funding that adopts the IFC Performance Standards and World Bank Group Guidelines on Environment, Health and Safety. While there is scope for improvement of accountability and transparency of certain key steps in line with recent international best practice, it demonstrates commitment to address E&S risks. CABEL’s 2010 Gender Policy and the 2020-2024 E&S Strategy (section 6) address the issue of gender equity and equality in environmental and social risk management. They also provide that the dimension of environmental and social safeguards promotes the inclusion of a gender perspective in operations, consultations and activities executed with contractors and communities. CABEL provided examples in planning and implementation phases of the application of its E&S/Gender policies. CABEL’s E&S policies also require it to establish practices that reduce the environmental and social impacts of its own activities, through the implementation of a Corporate Social and Environmental Responsibility System that meets international standards.

- ❖ **Mechanism to deal with complaints on environmental and social harms and gender harms caused by projects/programs** - In accordance with its E&S Policy, CABEL has established a general-purpose compliance channel on its public website, managed by the Integrity and Compliance Office, through which E&S related complaints may be submitted. It provided evidence that the complaint system is working as intended. The ***Panel concludes that CABEL continues to meet this criterion.***

Recommendation

The Accreditation Panel recommends that CABEL be re-accredited under the fast-track approach as a Regional Implementing Entity (RIE) of the Adaptation Fund.