Memorandum of understanding between IFAD and the Central American Bank for Economic Integration (CABEI)

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Action: The Executive Board is invited to approve the signature of the memorandum of understanding between IFAD and CABEI.
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Memorandum of understanding between IFAD and the Central American Bank for Economic Integration (CABEI)

I. Background and purpose of the IFAD-CABEI partnership

A. Background

1. The Central American Bank for Economic Integration is a multilateral development bank that was founded in 1960 to promote the economic integration of its member countries through balanced social and economic development. Most but not all of its member countries are located in Central America.

2. CABEI’s members include Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua as founding members; Belize, Dominican Republic and Panama as its regional non-founding members; and Argentina, Colombia, Cuba, Mexico, Republic of Korea, Spain and Taiwan as its non-regional members. ¹

3. CABEI and IFAD have expressed their mutual interest in formalizing a partnership through a memorandum of understanding (MoU) with the objective of scaling up their capacity to serve the development financing needs of their Members in the Central American subregion, thus enhancing the capacity of both organizations to deliver on their development mandates. ²

4. The MoU will replace a pre-existing cooperation framework that was signed by CABEI and IFAD in 1982. At that time, the two organizations’ business models differed greatly from their current ones.

5. The MoU will allow CABEI and IFAD to deepen their ongoing collaboration and to make use of a wider range of modalities for that purpose, including by adding value to jointly financed operations through non-lending activities and enhanced partnerships with the private sector.

B. Purpose of the CABEI-IFAD partnership

6. A strategic, comprehensive partnership with CABEI will allow IFAD to better address the investment needs of those of its Member States that are also members of CABEI. This, in turn, will enable IFAD to provide greater support for their development efforts towards achieving the Sustainable Development Goals (SDGs), in particular SDGs 1 and 2, and to deliver benefits to its target groups as identified in the relevant country strategic opportunities programme (COSOPs) and country strategy notes. The inclusive transformation of food systems and enhanced resilience to climate change are significant and intertwined development challenges in the Central American context.

7. Important benefits are to be derived from a formalized partnership between IFAD and CABEI. During the Twelfth Replenishment of IFAD’s Resources, the Fund’s pipeline is expected to include four investment projects (Dominican Republic, El Salvador, Guatemala and Honduras) and three COSOPs (Cuba, Dominican Republic and El Salvador) in this subregion. A strategic partnership with CABEI will increase the potential for scaling up IFAD-funded projects.

8. Within this partnership, specific agreements could be reached to allow CABEI to benefit from IFAD’s technical expertise in the design of complex development interventions and in providing support for their implementation, which would strengthen the rural development focus of its operational programme. CABEI’s technical assistance programmes can leverage the value added by IFAD’s non-lending activities in support of cofinanced projects, thus heightening their

¹ See the annex for further background details on CABEI and a brief history of the CABEI-IFAD collaboration.
² The text of the MoU can be found in the appendix.
overall development impact. CABEI could also administer IFAD loans to CABEI member countries, in keeping with IFAD’s internal policies and procedures, where the strategic context permits and the business case for this modality holds up.

9. Once the MoU becomes effective, CABEI and IFAD will be able to enter into future agreements concerning specific activities, including but not limited to the cofinancing of individual projects. To that end, periodic meetings will be organized to review the partnership’s achievements, identify new opportunities for collaboration and expand upon and scale up successful experiences.

C. Reputational implications of the partnership
10. The formalization of its partnership with CABEI is not expected to have any relevant reputational implications for IFAD. CABEI’s Environmental and Social Policy, which is underpinned by its Environmental and Social Strategy and its Management System for Environmental and Social Risks (SESMR), governs its operations. The SESMR includes the System for Identification, Evaluation and Mitigation of Environmental and Social Risks and the Environmental and Social Corporate Responsibility System. Moreover, CABEI’s integrity system includes its Integrity and Compliance Office, Fiduciary Risk Unit, Internal Control Unit and Financial Risk Monitoring Unit.

II. Recommendation
11. In accordance with article 8, section 2 of the Agreement Establishing IFAD, the Executive Board is requested to authorize the President to negotiate and finalize a memorandum of understanding between the Central American Bank for Economic Integration and IFAD that is substantively in accordance with the provisions presented in the appendix to this document. The signed memorandum of understanding will be submitted to the Board for its information at a subsequent session.
CABEI and the CABEI-IFAD collaboration

1. The highest authority in CABEI rests with its Board of Governors, which, along with the CABEI Board of Directors, Executive President and Executive Vice-President, constitutes CABEI’s governance system. Other officials and personnel support that system as necessary.

2. CABEI serves as the financial arm of the Central American Integration System, collaborates with the Secretariat for Central American Economic Integration and is a member of the inter-institutional technical working group of the Mesoamerican Integration and Development Project. It is an observer at the General Assembly of the United Nations, an accredited member of the United Nations Framework Convention on Climate Change and a regional accredited entity of the Green Climate Fund. It is a member of the Summit Implementation Review Group and the Joint Summit Working Group of the Organization of American States.

3. CABEI uses several different tools and services to fulfil its mandate, including development project financing, credit lines, guarantees and other financial instruments. It provides technical assistance for pre-investment activities and technical cooperation through, among other channels, the Korea-CABEI Partnership Single Donor Trust Fund, which provides non-reimbursable funding for the identification and preparation of projects aimed at improving the uptake of technologies and solutions across various sectors.

4. Since its foundation, CABEI has financed a number of development projects across a number of different sectors, such as: human development and social infrastructure: US$6,141.5 million (16.1 per cent); rural development and environment: US$1,911.7 million (5.0 per cent); productive infrastructure: US$12,175.4 million (32.0 per cent); financial intermediation and finance for development: US$7,846.1 million (20.6 per cent); and services for competitiveness: US$3,667.2 million (9.7 per cent).

5. Currently, CABEI has operations in Guatemala (US$889 million), El Salvador (US$2,377 million), Honduras (US$1,412 million), Nicaragua (US$3,545 million), Costa Rica (US$2,982 million), Panama (US$770 million), Dominican Republic (US$660 million), Belize (US$30 million), Argentina (US$379 million) and Cuba (EUR 48 million).

6. CABEI has an AA credit rating (stable outlook) from Standard & Poor’s and an Aa3 rating (stable outlook) from Moody’s. It has floated bonds in 24 currencies across 23 different markets. Currently, CABEI is undergoing its eighth general capital increase, as a result of which, by 2025, its credit capacity is expected to have risen by 45 per cent relative to its level in 2020.

7. Cooperation between CABEI and IFAD dates as far back as 1982. Over the years, IFAD and CABEI have successfully cofinanced a number of development projects in the Central American subregion. Just in the last 12 years, CABEI has cofinanced 5 of the 16 projects that IFAD has implemented in the Central American subregion, providing up to US$60.5 million in cofinancing, which represents 9 per cent of the total project cost and 17 per cent of the total cofinancing received for these projects. Table 1 below provides a complete list of the projects cofinanced by CABEI and IFAD over the last 10 years.
Table 1  
Projects cofinanced with CABEI in the last 10 years

<table>
<thead>
<tr>
<th>Country</th>
<th>Project ID</th>
<th>Name</th>
<th>Approval date (year)</th>
<th>Completion date (year)</th>
<th>Amount cofinanced by CABEI (thousands of US$)</th>
<th>Total project amount (thousands of US$)</th>
<th>Total number of beneficiaries reached a (end target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Honduras</td>
<td>1100001535</td>
<td>Sustainable Rural Development Programme for the Southern Region (Emprende Sur)</td>
<td>2010</td>
<td>2019</td>
<td>10 000</td>
<td>37 200</td>
<td>40 500</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>1100001505</td>
<td>Development Programme for the Agricultural, Fishing and Forestry Productive Systems in the Indigenous Territories of RAAN and RAAS</td>
<td>2010</td>
<td>2017</td>
<td>4 000</td>
<td>15 000</td>
<td>55 016 b</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>1100001683</td>
<td>Adapting to Markets and Climate Change Project</td>
<td>2013</td>
<td>2020</td>
<td>7 000</td>
<td>37 100</td>
<td>200 000</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>2000001242</td>
<td>Nicaraguan Dry Corridor Rural Family Sustainable Development Project</td>
<td>2016</td>
<td>2023</td>
<td>15 000</td>
<td>48 500</td>
<td>152 100</td>
</tr>
<tr>
<td>Cuba</td>
<td>2000002243</td>
<td>Agroforestry Cooperative Development Project</td>
<td>2019</td>
<td>2027</td>
<td>24 500</td>
<td>63 600</td>
<td>68 250</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
<td><strong>60 500</strong></td>
<td><strong>201 400</strong></td>
<td><strong>515 866</strong></td>
</tr>
</tbody>
</table>

a Estimated total number of household members.

b Persons receiving services promoted or supported by the project.
Draft memorandum of understanding between IFAD and CABEI

MEMORANDUM OF UNDERSTANDING
BETWEEN
THE CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
AND
THE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Whereas, the Central American Bank for Economic Integration (hereinafter referred to as the "Bank" or "CABEI") is a multilateral development financial institution, of an international nature, with a legal personality, established to promote the economic integration and the balanced economic and social development of the Central American region, which includes the founding countries and the non-founding regional countries.

Whereas, the International Fund for Agricultural Development ("IFAD") is a specialized agency of the United Nations and an international financial institution, established by an international agreement (i.e. the Agreement Establishing IFAD) with the objective of mobilizing additional resources to be made available on concessional terms for agricultural development in developing Member States. In fulfilling this objective, IFAD shall provide financing primarily for projects and programmes specifically designed to introduce, expand or improve food systems and to strengthen related policies and institutions within the framework of national priorities and strategies.

Whereas, CABEI and IFAD recognize the importance of mutual cooperation in deepening and bringing to scale the impact of their respective programs with enhanced efficiency.

Whereas CABEI and IFAD signed a Cooperation Agreement on 2 September 1982 to foster their collaboration in the identification, design, and management of rural development projects and wish through the present MOU to update, broaden and deepen that cooperation taking into account the evolution in the development context.

Whereas, CABEI and IFAD, desire to establish an effective though non-binding basis for joint activities and general cooperation in all areas of common interest and to encourage the application of the results of such joint activities.

Therefore, CABEI and IFAD (collectively the "Parties" or each individually, a "Party"), agree as follows:

Article 1

Objective and areas of collaboration

1.1. The objective of this Memorandum is to formalize a non-exclusive framework of cooperation and to facilitate collaboration between the Parties with the purpose of facilitating the preparation of projects identified in the Central American region as priorities.

1.2. As soon as this Memorandum is signed, both CABEI and IFAD will discuss the main aspects of their future cooperation; which may formalize in future individual agreements, including the following:
a) Cooperating, when possible, in the financing of projects of mutual interest for the IFAD, CABI and Latin American and Caribbean partner countries with a special emphasis on climate action and more broadly on inclusive rural transformation;

b) Developing and supporting projects, including loan and grant-funded projects and initiatives that catalyze progress for rural people to overcome poverty and achieve food security, with a special emphasis on climate action, inclusive rural finance, food system transformation, and innovations in the area of digital technologies and Sustainable Development Goals (SDGs) financing;

c) Supporting and agreeing to develop joint initiatives to improve project procurement, financial management and the implementation of social and environmental safeguards;

d) Developing technical assistance initiatives aimed at strengthening jointly financed operations in areas of mutual interest (e.g., Information and Communication Technologies for Development (ICT4D), inclusive finance, climate change adaptation, mitigation and resilience, etc.) by mobilizing supplementary funds from development partners;

e) Developing initiatives to facilitate staff exchanges and temporary secondments;

f) Developing initiatives to exchange technical know-how in the development, analysis, design, and monitoring of operations, based on the Parties’ areas of expertise, and;

g) Any other areas that may be agreed on jointly by the Parties.

1.3. The above-mentioned activities and other related activities agreed upon between the Parties from time to time will be subject to each of the Parties’ internal policies and procedures, as well as approval by the respective Parties’ internal authorities.

Article 2

Implementation and follow-up

2.1. This Memorandum provides a general framework within which the Parties may develop and undertake collaborative activities. For each individual activity and joint project to be carried out in furtherance of the intentions stated in this Memorandum, CABI and IFAD may enter into specific arrangements to be agreed between or among such Parties.

2.2. The Parties may enter into arrangements that regulate the payment of fees by one Party to the other to cover the costs related to the design and supervision of investment projects. Details of such cost-sharing or reimbursable arrangements will be agreed between or among Parties on a case-by-case basis approach and consistent with the Parties’ contribution to the overall financing.

2.3. The Parties will keep each other informed and, whenever necessary, consult each other on matters of mutual interest, which in their opinion, are likely to enhance their collaboration.

Article 3

Exchange of Information
3.1. The Parties hereto will exchange relevant information and data on matters of common interest to them and collaborate in the collection, analysis and dissemination of such information and data, subject to their respective policies and procedures relating to disclosing information.

3.2. The Parties may disclose to the general public this MOU and information related to this MOU in accordance with their respective policies. However, the Parties agree that all documents or information exchanged between the Parties in the course of the implementation of this MOU will not be disclosed to third parties by the Party receiving such documents or information without prior written consent of the other Party.

Article 4

Use of Name and Emblem, Form of Acknowledgement

4.1. Neither Party shall use the name, emblem of the other Party, or any abbreviation thereof, in connection with its business or for public dissemination without the prior expressly written approval of the other Party in each case.

4.2. The Parties will first consult with each other concerning the manner and form of any publicity or acknowledgement of the other Party’s support regarding any activities undertaken pursuant to this MOU.

Article 5

Intellectual Property

5.1. The Parties will agree in writing on the ownership of any intellectual property rights that may arise in any work or product which may result from the collaborative activities undertaken under this Memorandum.

Article 6

General Provisions

6.1. This Memorandum reflects the views and intentions of the Parties to cooperate on a non-exclusive basis, expressed in good faith, but without the creation of any binding obligation or the incurrence of any liability on the part of any of them. This Memorandum does not represent any commitment with regard to funding by or from either of the Parties. Any such commitment shall be reflected in separate agreements that may be entered into by the relevant Parties in accordance with the provisions of this Memorandum. Furthermore, this Memorandum shall not represent any commitment from either Party to give preferred treatment to the other Party in any matter contemplated under this Memorandum or otherwise.

6.2. Nothing in this Memorandum shall be construed as creating a joint venture, an agency relationship, a trust arrangement, a legal partnership or other similar association between or among the Parties.

6.3. Nothing in this Memorandum is intended to be, or should be construed as, a waiver of any of the privileges and immunities of CABEI or its officers, directors, employees, which privileges, and immunities are hereby expressly reserved under CABEI’s Constitutive Agreement. At the same time, nothing in this Memorandum, or relating thereto, shall be construed as constituting a waiver, renunciation or other modification of any of the rights, privileges, immunities and exemption enjoyed by IFAD under the Agreement Establishing IFAD, the Convention on the Privileges and Immunities of the
Specialized Agencies of the United Nations, and under any other document, international treaty or convention, or international customary law.

6.4. This Memorandum is not an international treaty. It is a non-binding statement of intent and shall not be construed as creating any binding legal obligation on either Party.

6.5. Without prejudice of the provision set forth in clause 1.3 of this Memorandum, each Party agrees to pay its own costs, fees and expenses of any kind deriving from or required to carry out the activities or objectives of this Memorandum.

6.6. Any differences arising out of, or in connection with, the interpretation or application of any provision contained in this Memorandum will be resolved amicably through consultations between the Parties.

6.7. This Memorandum is the complete understanding between the parties and renders completely null and void all prior oral or written agreements with respect to the subject matter herein including, without limitation, the initial Agreement for collaboration, which shall be deemed null and void, and of no further force or effect whatsoever following the date hereof.

Article 7

Effectiveness, Amendment, Termination.

7.1. This Memorandum shall enter into force upon signature by both Parties following the approval for IFAD by its Executive Board on the date set forth below and will remain in effect for the duration of 3 years.

7.2. At the end of the term of this Memorandum, a joint assessment by the Parties may be carried out to review the results and lessons learned from the collaborative activities of the Parties. The Parties will discuss and share any conclusions reached which may have a bearing on the Parties’ collaboration under this Memorandum. On the basis of such assessment, the Parties may extend, modify or terminate this Memorandum as provided for below.

7.3. This Memorandum may be modified or terminated at any time by mutual written agreement of the Parties. Further, this Memorandum may be terminated by either Party at its sole discretion with ninety (90) days prior notice in writing to the other Party. Any termination of this Memorandum shall be without prejudice to the orderly completion of any ongoing cooperation activity and any other rights or obligations of the Parties under any legal instrument executed pursuant to this Memorandum.

Article 8

Communication and Notices

8.1. For the purpose of facilitating the implementation of this Memorandum, each Party will designate an official who will be responsible for conducting relations under this Memorandum on its behalf. Any notice or other communication to be given or made under this Memorandum will be addressed and sent to the attention of the Officials at the addresses below or such other address as either Party designates by notice to the other Party:
For Central American Bank for Economic Integration:
Miguel Angel Méndez Castellanos, Head of Partnerships and International Cooperation Department
Edificio Sede BCIE
Boulevard Suyapa,
P.O. Box 772
Tegucigalpa, Honduras
Telephone: (504) 240-21304
Facsimile: (504) 240-2135
E-mail: mmendez@bcie.org

For International Fund for Agricultural Development
Rossana Polastri, Regional Director, Latin America and the Caribbean Division
Via Paolo di Dono, 44
00142 Roma, Italy
Telephone: +393316205053
E-mail: r.polastri@ifad.org

In witness whereof, the Parties have caused this Memorandum to be signed by their respective authorized representatives in duplicate in the city of __________, the ____day of ____ of 2022.

Central American Bank for Economic Integration
By: _______________________________
Name: PhD. Dante Ariel Mossi Reyes
Title: Executive President

International Fund for Agricultural Development
By: _______________________________
Name: Gilbert F. Houngbo
Title: President