

Institutional Strategy

2025 – 2029

CABEI

ENGINE FOR THE POSITIVE
TRANSFORMATION OF OUR COUNTRIES

Public once approved

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CABEI



1 A STRATEGY FOR A DIFFERENT WORLD

The world is changing at an accelerated pace and in different areas, opening up an assortment of opportunities and a complex network of challenges to improve prosperity.

This scenario represents a turning point in which our countries emerge to the global concert with the need to innovate and manage their potentialities to accelerate the closing of historical gaps and position themselves as a competitive and resilient region.

The acceleration of technological change is bursting into all areas of human endeavor. In addition to the massification of information technologies, there is now the advent and rapid deployment of artificial intelligence, which impacts knowledge management and production alternatives. Technologies affect consumer practices and preferences and, through them, the investment models of companies of all types. While these changes may amplify the challenges we already face, they also represent opportunities to accelerate innovation and rethink solutions to significant regional challenges. For example, the online financial services ecosystem has exploded in innovation on cloud-based service platforms and, accompanied by appropriate policies and incentives, can lead to greater financial inclusion and gender equity.

Industrial revolutions are becoming more frequent and demanding. Sixteen years into the fourth industrial revolution, the fifth is expected to begin, mainly due to the widespread deployment of artificial intelligence (AI). Unlike previous phases focused on automation and efficiency, this shift would emphasize collaboration between humans and intelligent machines. For this, more STEM education accompanied by lifelong learning and developing soft skills is required. The impact of AI on knowledge management and production will affect 40% to 60% of jobs at all levels of industry.

International conflicts have a broad impact on economic dynamics. The increase in global geopolitical tensions and economic fragmentation are risk factors to watch, as they directly impact countries' performance outlook. Changes in this relationship impact supply chains, access to international markets, the stability of commodity prices, and foreign investment patterns.

Deepening integration, understood as taking advantage of the region's joint potential, is necessary for Central America's resilience and sustainable development. Challenges such as increased protectionist measures, the slow growth of international trade, and higher global borrowing costs have led to a slowdown in our countries' development and the accumulation of higher debt levels to finance investments and priority activities.

The triple planetary climate change crisis, biodiversity loss, and pollution represent one of the most significant contemporary global challenges. Solving it is crucial because it threatens the survival and well-being of all life forms, including humanity. Climate change causes extreme weather events, rising sea levels and alterations in weather patterns, affecting agriculture, infrastructure and human health. Biodiversity loss weakens ecosystems, diminishing their capacity to provide essential goods and services. Pollution damages the health of millions of people and degrades the natural resources necessary for life, essentially clean water and air. Responses to the crisis require change to facilitate the implementation of sustainable measures and strengthening policy and regulatory frameworks to achieve sustainability, decarbonization and resilience.

1 The fourth industrial revolution is disrupting all dimensions of production, logistics and consumption, generating innovations that affect the dynamics of institutions.

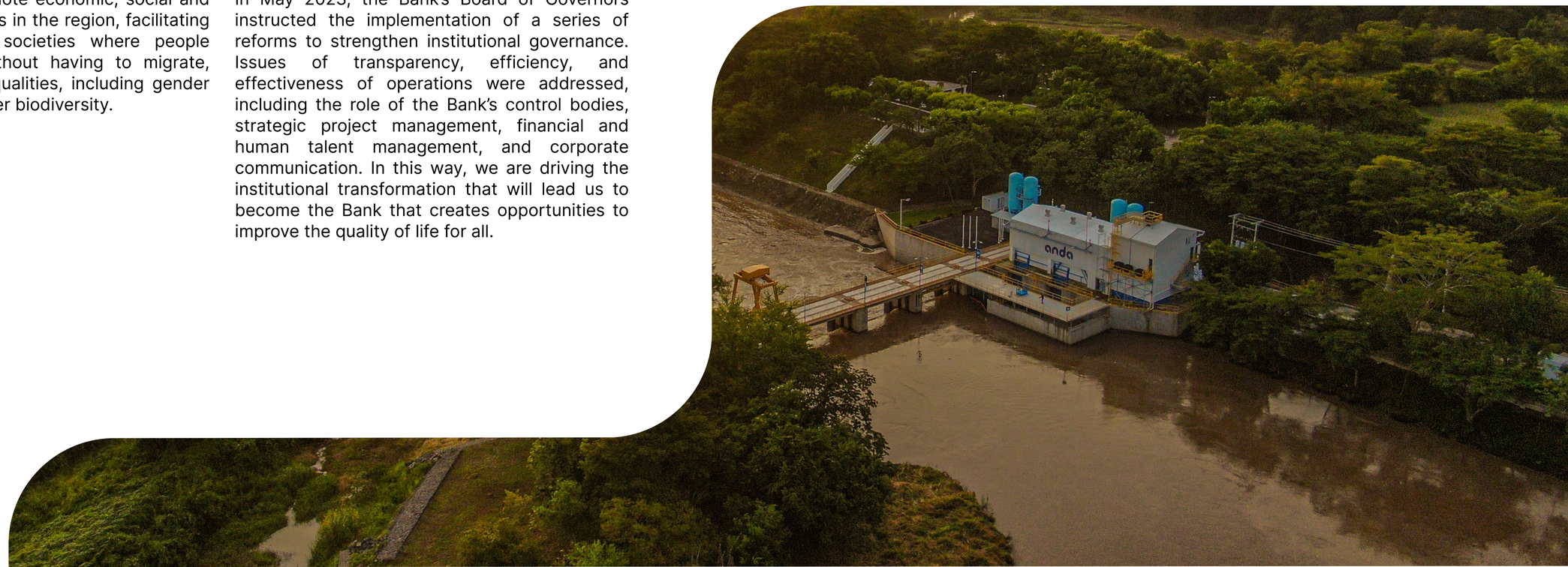
2 Science, technology, engineering, and mathematics education.

In this context, the path to prosperity and improvement of the quality of life requires addressing multiple gaps. These include those that affect operations and functioning, such as infrastructure resilient to climate change, transportation, information technology and cybersecurity, distribution networks and the electricity grid. In human capital, we must also address the lags in health and education, mainly in technical skills and global knowledge. Our countries must move towards productive structures characterized by creating value through knowledge, technology and highly specialized human capital in a sustainable environment. Thus, countries will need new financing schemes for investments that promote economic, social and environmental progress in the region, facilitating the construction of societies where people find opportunities without having to migrate, with fewer social inequalities, including gender inequalities, and greater biodiversity.

The Central American Bank for Economic Integration, faithful to its founding mandate, is transforming itself to rethink and offer innovative solutions that have a greater positive economic, social and environmental impact on the countries and, simultaneously, provide better financial conditions. Since its founding in 1960, CABEI has accompanied the region through different periods and historical moments in overcoming its challenges. During this journey, its relevance and positioning as the primary source of financing for development is backed by operations approved for more than US$53.0 billion and disbursements of more than US$40.5 billion.

In May 2023, the Bank's Board of Governors instructed the implementation of a series of reforms to strengthen institutional governance. Issues of transparency, efficiency, and effectiveness of operations were addressed, including the role of the Bank's control bodies, strategic project management, financial and human talent management, and corporate communication. In this way, we are driving the institutional transformation that will lead us to become the Bank that creates opportunities to improve the quality of life for all.

The road travelled has left a learning experience that is a valuable asset for the region. Through this, CABEI evolves to become the driving force behind the positive transformation of the countries. In our quest to innovate and create opportunities to improve the quality of life for all, we have formulated this Strategy with our sights set on the future we wish to bring about, aspiring to see its implementation reflected through transformative initiatives for our people.





2 ECONOMIC, SOCIAL AND ENVIRONMENTAL CONTEXT

MACROECONOMIC CONTEXT

Economies remain resilient in the face of a challenging and uncertain global environment. Countries successfully overcame recent crises and regained growth (3.4% in 2023), driven by domestic demand partly by record remittances[3]. (USD 17.2373 billion in April 2024). Latin America and the Caribbean (LAC) expected to grow 2.7% from 2025 onwards[4] and stabilizes at 2.4% by 2029[5], while Central America is expected to grow above that average. Meanwhile, inflation is expected to decrease progressively to around 3.5% in 2025, below the 6.7% average for LAC, stabilizing in the long term.

The labor market is expected to continue its recovery trend with opportunities for further growth. In 2023 unemployment averaged 6.6%, with a 1.1 pp improvement over 2021; however, the challenge of achieving solid growth remains. The quality of employment is also a challenge in terms of wages and formalization [6 7]. The region is expected to reduce this gap through the effects of nearshoring and other policies, as it is estimated[8] that an increase of between USD 3.125 billion and USD 6.246 billion in investment would increase formal employment by between 33.0% and 66.0% in the following years.

The agricultural sector has consolidated its position as the main axis of exports. Agro-exports register less volatility than the rest of the goods, representing a positive quality due to the fact that they would reduce the impact of an external demand shock. However, this sector's weight limits the export basket's diversification capacity. The countries show little progress in terms of more complex and higher value-added products, with the exception of Costa Rica, the Dominican Republic and El Salvador, according to the Economic Complexity Index.

The relocation of supply chains has favored regional trade. It is estimated that nearshoring could generate more than USD 64.0 billion annually in additional exports of goods for LAC and more than USD 7.574 billion for Central America[9]. The regional sectors with the greatest potential are automotive, auto parts, semiconductors and electronic equipment. However, it is estimated that there could be gains in the short term in textiles, pharmaceuticals, and medical equipment, among others.

Consolidation of the fiscal position and reduction of public indebtedness is planned. Primary deficits closed rapidly after the pandemic. Currently, countries maintain outlooks of sustainability in line with debt burden thresholds, benchmarks, and borrowing capacity. The medium and long-term trend is towards stabilization of indebtedness accompanied by lower interest rates that would allow them to comfortably manage their debt servicing and improve or consolidate their credit ratings.

3 Record growth rate of remittances in 2021 for Nicaragua (54.0% in 2022), Guatemala (34.9%), El Salvador (27.8%) and Honduras (28.4). "Remittances to Latin America and the Caribbean in 2023," IDB (2023).

4 Global Economic Prospects. World Bank. June 2024.

5 World Economic Outlook, IMF, April 2024.

6 Informality of 79.6% in Guatemala, 67.5% in El Salvador, 56.5% in the Dominican Republic, 55.7% in Panama and 39.3% in Costa Rica.

7 Employment growth rates in May 2024 ranged from 1.7% in Nicaragua to 7.7% in Guatemala.

8 Maúl, H., & Méndez, R. (2021). Developing the potential of value chains in Central America. Tegucigalpa: CABEI.

9 IDB | Nearshoring can add annual $78 bln in exports from Latin America and Caribbean (iadb.org)



SOCIAL AND ENVIRONMENTAL CONTEXTO

Central America is a region with high levels of socioeconomic, ethnic and gender inequality, high rates of maternal and infant mortality and morbidity, high levels of malnutrition, and inadequate access to food and potable water. In 2022, the percentage of people living in poverty at the LAC level was reduced sufficiently to reach pre-COVID-19 pandemic levels[10]. Pre-pandemic levels have already demonstrated a proportional relationship between poverty and losses from extreme events, highlighting the urgency of increasing the region's adaptive capacity and climate-resilient economic development.

Natural disasters and climate change exacerbate socioeconomic vulnerabilities. Prior to the pandemic, with the exception of Belize and Panama, most country populations (from 56% in Honduras to 95% in El Salvador) were exposed to two or more risks from extreme natural events. Poverty eradication requires low-emission, resilient, equitable, moderate, and sustained economic growth[11].

Food insecurity is a severe impact of climate change. Climate change will put increasing pressure on food production[12] and access to food, especially in vulnerable regions such as the Central American dry corridor, undermining food security and nutrition. Projected climate changes are expected to reduce the extent and quality of areas suitable for growing staple grains in Central America. Crop losses are mainly due to high rainfall variability and seasonal droughts that have increased significantly in recent decades. Smallholder and subsistence farmers suffer the most significant impact along with poor neighborhoods, which face socioeconomic and physical barriers to adapting to climate change.

The challenge of migration is multifaceted, encompassing economic, political and environmental causes. Violence, poverty and lack of opportunity drive millions of people to leave their home countries in search of a better life. Climate change and natural disasters exacerbate these conditions, forcing many agriculture-dependent rural communities to migrate[13]. The region's countries face the complexity of managing increasing migration flows while dealing with internal social and economic tensions to reduce these flows.

[14] **Latin America and the Caribbean have made significant progress towards gender equality, but structural barriers remain.** LAC ranks third (out of 8 regions assessed) in closing the gender gap, after Europe and North America[15]. The region has closed 74.3% of the overall gender gap and, if it continues at its current pace, it could reach gender parity in 53 years. The dimensions where LAC has had the best performance in closing gender gaps are in health and survival and educational attainment, while challenges persist in economic participation and political empowerment. The inclusion of women also boosts economic growth and poverty reduction, since for every 100 men in poverty there are 116 women, and for every 100 men in extreme poverty there are 118 women, showing that progress in poverty reduction does not always translate into equitable benefits for men and women.

Climate change impacts are uneven, with some of the most vulnerable countries contributing minimally to global emissions. Latin America, particularly Central America and the Caribbean, are among the regions most vulnerable to climate change, as they face frequent extreme weather events such as hurricanes, floods and droughts. According to the Global Climate Risk Index 2021, these countries have been consistently ranked among the most affected globally. Despite this high exposure to climate risks, countries in the SICA region are responsible for less than 1% of global greenhouse gas (GHG) emissions.

10 ECLAC (2023). Social Panorama of Latin America and the Caribbean.

11 Granoff, I., Eis, J., McFarland, W. & Hoy, C. (2015). Zero poverty, zero emissions: Eradicating extreme poverty in the climate crisis. Report. London, United Kingdom: Overseas Development Institute.

12 IPCC (2022).

13 IPCC (2022). Central and South America. In: Climate Change 2022: Impacts, Adaptation, and Vulnerability. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change.

14 WEF (2023). Gender Gap Report.

15 Femininity index of poverty. World Bank (2020). Poverty and Equity Brief for Latin America and the Caribbean.

The energy sector represents one of the largest sources of GHG emissions. This is largely due to the predominant reliance on fossil fuels, such as oil and coal. When burned for electricity generation, transportation and other industrial uses, these sources release large amounts of carbon dioxide (CO2) and other GHGs. The high proportion of these emissions is attributed to the historical choice of fossil fuels for their availability and relatively low cost, as well as to the existing infrastructure that favors their continued use. Investing in a just energy transition therefore becomes critical to address these challenges.

CABEI member countries are located in a region rich in biodiversity[16], but deforestation, forest fires, climate change, urbanization and the unsustainable exploitation of natural resources seriously threaten it. The loss of natural habitats affects a wide variety of endemic and migratory species, decreasing the resilience of ecosystems and their ability to provide vital services. Under the latest climate change scenarios, native species are expected to shrink as the region becomes more arid. For Central America, this implies that wetlands will be severely affected and that the dry and sub-humid vegetation of the dry corridor will expand into neighboring areas and replace the humid forests of the Pacific lowlands and northern parts of Guatemala by 2050[17]. Biodiversity conservation is crucial for maintaining ecological balance and for the communities that depend on these resources for their survival and well-being.

Agricultural and livestock expansion, illegal logging, and exploitation of forest resources have led to the massive loss of tropical forests. Deforestation is one of the most significant environmental challenges for the Central American region; in fact, during 2000-2015 three of the five most extensive forests in Central America reduced their size by more than 23%[18]. Deforestation reduces biodiversity, endangering numerous species of flora and fauna, and contributes significantly to climate change by releasing large amounts of carbon dioxide stored in trees. In addition, forest loss increases vulnerability to natural disasters such as floods and landslides, negatively affecting local communities and their livelihoods. Livestock, large-scale agriculture, subsistence farming, mining, transportation infrastructure and forest fires stand out as the biggest drivers of forest loss[19].

People's water security is threatened by poor water supply, distribution, quality, and sustainability of water sources. The region presents enormous heterogeneity[20] in the distribution of its water resources; many water sources are threatened mainly due to inefficient resource management. The incidence and circumstances of extreme water events (droughts and floods) also vary across the region, incrementally limiting the availability and quality of the resources for people and ecosystems. Regional climate projections estimate that by 2100, per capita water availability will decrease by more than 80%[21]. The contamination of water sources derived from human activities is a problem that has been spreading in most countries, where access to drinking water and basic sanitation systems continues to be challenging, especially in rural areas. Sustainable watershed management is essential to ensure the supply of potable water, water for irrigation and hydropower generation, among others.



16 The SICA region contains 8% of the world's biological biodiversity, distributed in 206 ecosystems, 33 ecoregions and 20 life zones. Colombia is the third most biodiverse country in the world, after Brazil and Indonesia. Eighteen ecoregions have been identified in Argentina, forming a complex territory that includes a subtropical zone, Antarctica, the highest mountains in the Americas, and some of the deepest depths of the Atlantic Ocean.

17 IPCC (2022). Central and South America. In: Climate Change 2022: Impacts, Adaptation, and Vulnerability. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change.

18 WCS (2017). The Human Footprint and the Impact of Livestock.

19 WWF Mesoamerica (2021). Deforestation fronts; drivers and responses in a changing world.

20 Per capita water availability per year varies from ranges between 4,000 to 11,000 m3 for El Salvador, Guatemala, and Honduras, to ranges between 24,000 and 60,000 m3 in Costa Rica, Nicaragua, Panama, and Belize. GWP Central America (2020).

21 IPCC (2022). Central and South America. In: Climate Change 2022: Impacts, Adaptation, and Vulnerability. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change.



CHALLENGES FOR REGIONAL GROWTH

Greater investment and public policy efforts are required to close infrastructure gaps. Its quality and coverage can be improved, but renovation is needed to boost productivity levels and regional competitiveness. It is critical to advance in developing resilient productive infrastructure[22] to match the Latin American average and, thus, reduce vulnerability to risks of natural disasters, electricity shortages and cybersecurity.

Human capital must develop technical skills and global knowledge to improve labor market insertion. Except for Costa Rica, the region ranks below the Latin American average in the HDI[23]; additionally, there is a downward trend in international knowledge tests such as PISA[24]. This is reflected in low positions in the global competitiveness ranking with average scores ranging from 28.05 to 50.2 on a scale of 0 to 100 points, which places the region in the bottom half of the ranking.

Efforts to promote financial inclusion should continue. Low banking penetration is an element that raises transaction costs and delays the development of digital payment systems. In the region, Nicaragua (26%), El Salvador (36%) and Honduras (38%) are the countries with the lowest number of adults with bank accounts in 2021[25], which translates into high dependence on physical money.

It is important to promote institutional strengthening and capacity building at the government level to facilitate development. The institutional regulatory framework must promote adequate market interaction and efficient resource allocation. It must also be supported by human talent with the knowledge, skills and competencies to enable them to perform at the level of best practices and international standards. Most countries in the region are below the average for Latin America and the Caribbean in measures of the effectiveness of government institutions, reflecting opportunities for action to promote development more effectively.

Strengthening human capital, taking advantage of nearshoring and consolidating strategic alliances are vital to diversifying exports. The region has made progress in trade integration with the rest of the world and has diversified the destination of exports to other trading blocs, with Costa Rica being an example of alliance and technological diversification by positioning itself as a strategic partner of the U.S. in chip production; however, the rest of the region continues to export agro-industrial products and raw materials.

The productive structure must modernize and specialize to meet new global demands. On the road to development, the region must move towards a sustainable productive structure characterized by creating value through knowledge, technology and highly trained human capital. The transition from economies of wealth[26], such as those of Honduras and Nicaragua, to economies of efficiency[27], where Panama is located and El Salvador and Guatemala are in transit, and finally to the economy of knowledge and innovation[28], towards which the Dominican Republic is moving and in which Costa Rica is already located.

The transition to a low-carbon economy faces structural challenges that must be addressed from a sustainable development and poverty reduction approach. Central America contributes significantly to emissions due to deforestation, agriculture, livestock and the use of fossil fuels in the energy and transportation sectors. Mitigating these emissions is crucial for the region, not only to meet international commitments such as the Paris Agreement, but also to protect its climate vulnerability. The transition to a low-carbon economy for the region involves adopting renewable energies, improving energy efficiency, promoting sustainable agricultural practices and reforesting degraded areas, hand in hand with a critical investment in the development of technical capacities, local knowledge and the establishment of regulatory and policy frameworks geared towards investment in clean, efficient and low-carbon energies.

Cultural and natural heritage must become an engine for economic development. Central America has a great quantity and variety of heritage assets; however, in order for their use and exploitation to translate into sustainable tourism, these assets must be promoted. To this end, it is important that the countries invest in this type of resource and that they also have a high level of determination to collaborate and work intersectorially.

22 Disaggregated into energy, water, sanitation, transportation, flood protection, telecommunications, among others.

23 The Human Development Index assesses long-term progress in three basic dimensions: a long and healthy life, access to knowledge and a decent standard of living (United Nations Development Programme).

24 Program for International Student Assessment.

25 Global Findex, World Bank (2022).

26 Agriculture, mining, natural heritage, abundant and low-cost labor.

27 Manufacturing and services, logistics and energy infrastructure, manufacturing FDI, technical labor.

28 Value added with knowledge and technology, innovation ecosystem and high connectivity, technological FDI, technical and innovative human capital.



3 STRATEGIC FRAMEWORK 2025-2029

OUR **VALUES**

CABEI aligns its organizational culture and initiatives with a set of values that guide all of its activities and operations. It should be noted that these values were selected through a participatory process, using interactive methodologies to facilitate the inclusion of all collaborators.

Integridad
At the core of our institutional identity, it is the principle that aligns our actions with our constitutive mandate. It refers to the ability to comply with the principles and values regardless of the circumstances that may arise.

Respect
Constitutes the basis of our institutional relationships, allowing us to develop them with consideration, tolerance, the search for harmony, impartiality and without causing harm, offense or prejudice.

Transparency
Eessential to promote accountability, build trust, and improving results. The Bank renews its commitment to openness through processes that maximize access to public information in a timely, adequate, and predictable manner to promote public knowledge of the institution's activities and operations.

Excellence
Guides our institutional activities. CABEI seeks technical rigor and continuous improvement in order to generate the maximum possible positive impact on its operations.

ELEMENTS OF THE **INSTITUTIONAL STRATEGY**

Purpose

> **"Creating opportunities to raise the quality of life for all."**

It synthesizes the highest institutional aspiration; it represents the primary motivation behind each of the financial solutions and initiatives promoted by the Bank. To this end, CABEI seeks to maximize its positive impact by considering all dimensions of development (economic, social and environmental). The Bank seeks to be recognized as a promoter of competitive productive development with increasing added value, as well as equitable social progress.

Vision

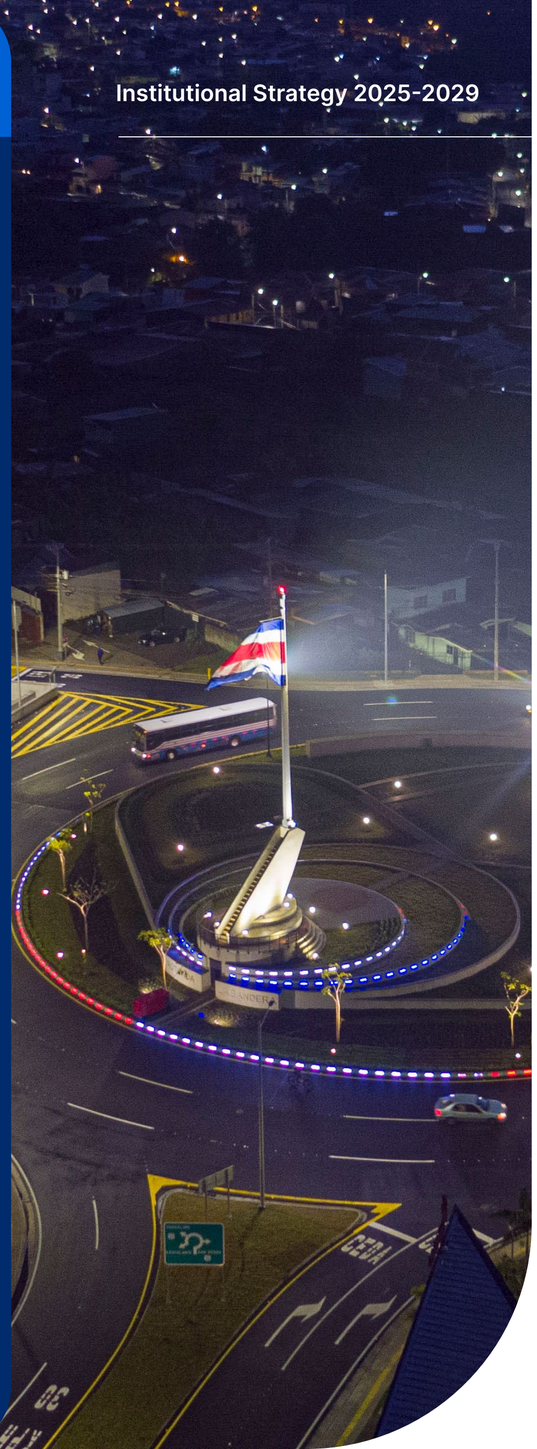
> **"To be the engine of positive transformation in our countries."**

The future that CABEI envisions is of a more integrated region, with prosperous, sustainable and resilient nations, in which the population's standard of living improves every day. This implies more inclusive countries, with more opportunities for people to grow and appropriate the benefits of development in a sustainable manner.

Mission

> **"To promote the economic integration and balanced economic and social development of the Central American region, which includes the founding countries and non-founding regional countries, attending to and aligning with the interests of all members."**

The Mission derives from the Bank's Constitutive Agreement, which after 64 years of institutional life is not only still in force, but also takes on greater relevance in the historical context that Central America is going through. The various economic and social gaps not only limit the potential for regional growth, but also exclude thousands of people from the benefits of development. The challenges of the environment demand strengthening regional integration and creating solutions with a holistic vision that articulates the efforts of different agents. This is where CABEI confirms itself as a relevant institution, with a clear mandate, extensive knowledge of the region and a renewed strategy.



Strategic Pillars

CABEI's Strategy rests on four pillars that will guide the prioritization of its operations and the way in which it will deploy its activities. The design of this architecture guarantees adequate alignment between the strategic objectives and the institutional transformation that must be deployed to achieve them.

Positive impact pillar

CABEI creates opportunities that raise the quality of life for all through innovative financial solutions. This is reflected in its alignment with various international metrics, including the Global Competitiveness Index (GCI), the Social Progress Index (SPI) and the Environmental Performance Index (EPI). Seven strategic objectives are derived from this pillar that seek to influence all dimensions of development (economic, social and environmental), with an emphasis on economic growth and integration, improving the quality of life of the population and caring for the planet.

High-impact finance pillar

CABEI offers comprehensive, competitive and sustainable financial solutions based on knowledge and the mobilization of specialized resources, in alliance with other relevant actors in the development financing ecosystem. The Bank's financial soundness is key to ensuring the sustainable availability of the resources needed to support member countries. Two strategic objectives derive from this pillar, aimed at optimizing the Bank's financing capacity and, thus, the expected impacts.

Transparency pillar

CABEI supports its operations and activities with a firm commitment to transparency, a principle that is also one of our values. The main component of the implementation of this pillar is a strengthened governance scheme to promote accountability mechanisms and a more efficient and responsible institutional functioning. Externally, we seek to proactively provide key information through our website, with the aim of informing the public about the Bank's development practices. This framework favors accountability and openness in order to minimize risks, improve the design and execution of operations, as well as generate knowledge and strengthen development results. Internally, governance mechanisms enable our employees to better align their performance with organizational objectives and foster accountability by promoting dialogue and continuous improvement based on transparency and accountability.

Operational excellence pillar

CABEI faces the challenge of maximizing the impact of its interventions with technical rigor in all areas. To this end, it must promote the analytical capacities of its people and, in addition, their continuous improvement; be efficient in the prioritization and use of resources, as well as deploy digital transformation, agility, risk control and communication tools. Likewise, an organizational culture that promotes innovation, inclusion, equity and continuous improvement based on transparency and accountability must be fostered.

Figure 1

Outline of the Elements of the Institutional Strategy



Purpose

To create opportunities to improve the quality of life for all.

Mission

Promote economic integration and balanced economic and social development of the Central American region, including the founding countries and non-founding regional countries, attending and aligning with the interests of all members.

Vision

To be the engine for the positive transformation of our countries

Positive impact pillar

High-impact finance pillar

Transparency pillar

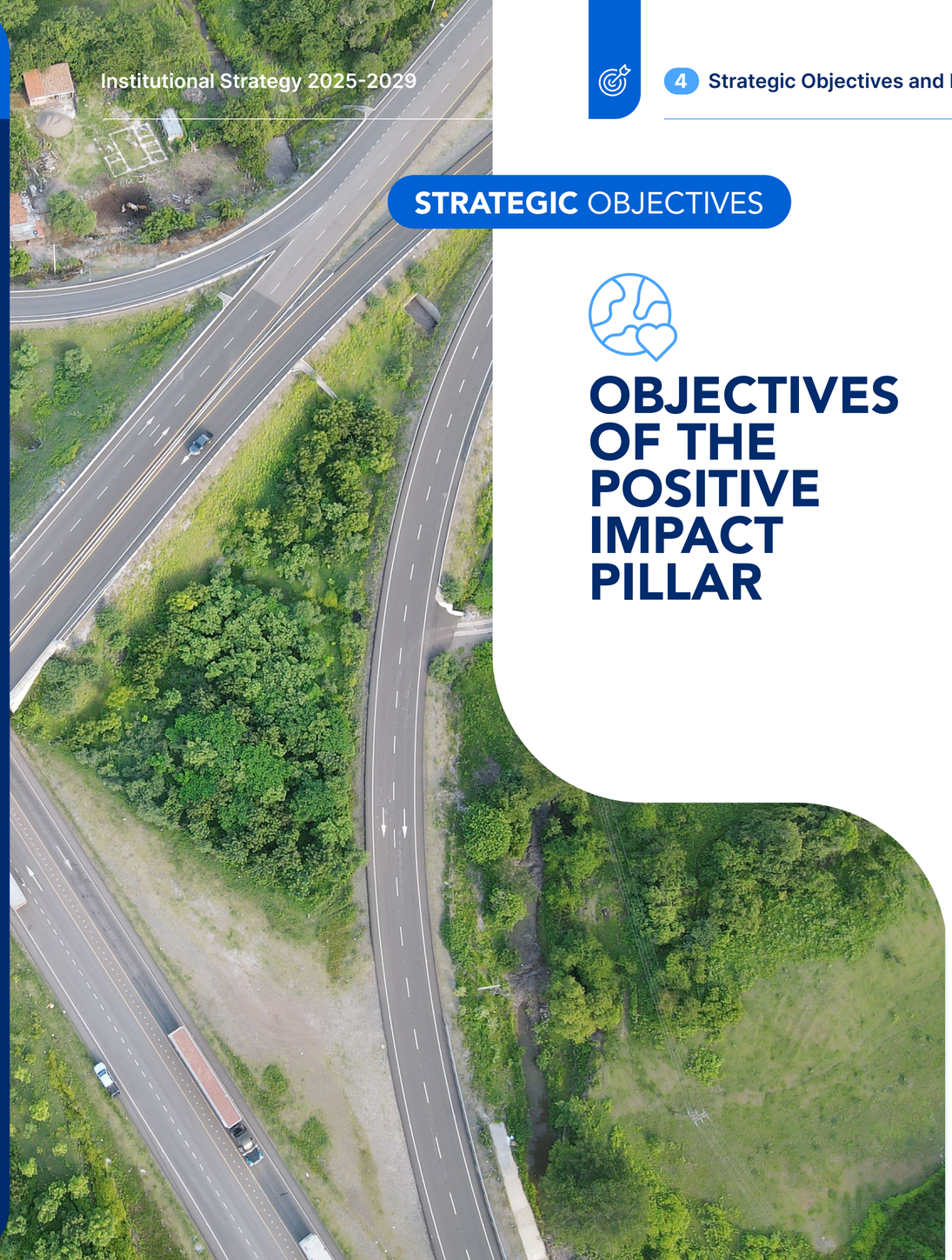
Operational excellence pillar

4 STRATEGIC OBJECTIVES AND ENABLERS

The strategic pillars derive from strategic objectives and enablers, which have been structured to define CABEI's priorities and materialize its strategic offer.

The former are derived from the positive impact and high-impact finance pillars and define the results that the Bank expects to generate from its interventions, while the enabling objectives are derived from the transparency and excellence pillars and create the conditions conducive to the fulfillment of the strategic objectives.





STRATEGIC OBJECTIVES

OBJECTIVES OF THE POSITIVE IMPACT PILLAR

The Institutional Strategy 2025-2029 focuses on maximizing positive impact in beneficiary countries. Its distinctive strategy is based on regional integration for economic growth and social development, promoting economies of scale through national projects and region-wide initiatives that close key gaps to improve prosperity and quality of life in the region.

This approach is articulated in an integrated cycle where economic growth can drive social progress and improve environmental performance. Aligned with the diagnosis of the state of Global Competitiveness, Social Progress and Environmental Performance in the region, CABEI seeks not only a rapid evolution and transformation of the economies towards sustainable, inclusive and equitable development, but also to facilitate the countries' leap towards more advanced productive structures, It also seeks to reduce inequalities and contribute to environmental protection by prioritizing efforts to conserve natural capital, including water management, integrated solid waste management, biodiversity protection, and the adaptation and mitigation of the effects of climate change.

In order to achieve the key elements of the strategic statement for the 2025-2029 period, CABEI has defined seven strategic objectives under the positive impact pillar. These objectives are framed within the economic, social and environmental dimensions, guiding the prioritization of operations to be financed by CABEI in its member countries.





Economic Impact Dimension

CABEI seeks to support countries in improving the economic foundations of competitiveness in a sustainable manner. This approach focuses on strengthening the basic requirements that determine the productivity of economies, developing the factors that promote efficiency and laying the groundwork for boosting innovation and sophistication. The expected benefits are a higher level of productivity, more job opportunities and economic roots, which, in turn, imply greater prosperity for their inhabitants. To this end, two strategic objectives have been defined:

1 Promote growth and economic integration.

CABEI seeks to promote transformative infrastructure projects that integrate criteria of sustainability, resilience, scalability and inclusion in all phases of their life cycle; particularly those that generate greater availability of clean energy, development of logistics infrastructure, creation of regional trade and transportation corridors, as well as the improvement of border infrastructure and the interoperability of customs systems, thus helping to promote trade and economic integration in the region.

2 Boosting the entrepreneurship ecosystem, MSMEs and the attraction of Foreign Direct Investment (focus on “nearshoring”).

The Bank is renewing its support for innovation and entrepreneurship ecosystems through interventions that increase the productivity of MSMEs and their connections to value chains at the national and regional levels, in key sectors for the generation of employment in the economies. This segment is fundamental because it allows us to reach the base of the business pyramid, where many beneficiaries are women; in this sense, we seek to promote instruments that favor greater financial inclusion, such as guarantee funds with greater coverage and less credit.

The Bank seeks operations that contribute to the generation of a business climate that stimulates investor confidence and the attraction of new capital in the context of the phenomenon of global relocation of companies (nearshoring). In addition to continuing to expand and modernize regional infrastructure, the Bank supports countries in strengthening their regulatory frameworks, designing benefits and incentives for new investors, building capacity (analysis and advice) in investment promotion agencies, training human talent in line with the demands of global markets, and promoting the use of technology to provide greater value added to productive processes. In this way, it is expected to have an impact on the generation of more jobs.

Social Impact Dimension

A vision of social progress. The Bank focuses its initiatives on satisfying basic needs, improving the factors that affect well-being and generating opportunities to improve people's quality of life. To this end, three strategic objectives have been defined:



3 Improving people's quality of life.

CABEI seeks to make decisive progress in overcoming the countries' social gaps in areas that are fundamental to quality of life, such as health, education, housing, water and sanitation, and nutrition. To this end, it promotes selective investments in relevant social issues, with an emphasis on young people and the most vulnerable groups, directly affecting the foundations of well-being and expanding development opportunities for these groups.

To meet this objective, CABEI supports the financing of investments aimed primarily at closing the gaps in quality and coverage of basic social infrastructure. In addition, CABEI provides technical assistance for carrying out diagnostics and studies to identify and prepare initiatives that will have a greater impact on people's wellbeing, promoting the countries' progress towards a state of inclusive social progress.

4 Retain and enhance the human capital of our countries.

The lack of opportunities has led to a migratory phenomenon that reduces the availability of human talent, generating in many economies a dependence on family remittances to the detriment of productive potential. For this reason, CABEI supports policies and investments that countries promote to increase the capacity of human talent, mainly in technical skills and global knowledge. This involves providing financing to improve educational infrastructure, promote digital transformation and expand the knowledge generation, innovation and entrepreneurship capabilities of talent.

The Bank contributes to the retention of human capital by supporting high-impact initiatives for job creation and the scaling up of a more competitive and well-paid labor market. To this end, it seeks to develop projects and promote employment programs in areas where the unemployment rate is high and where it is necessary to stimulate the equal insertion and participation of women, young people and groups at risk of migration. In a cross-cutting manner, the Bank supports initiatives that promote a safe environment for citizens, with access to basic services and the capacity to adapt to the challenges posed by climate change.

5 Promote inclusion and gender equity.

In order to advance social progress, our economies must promote a climate of opportunity and inclusion. The gender perspective is a fundamental issue for CABEI, based on the recognition of the high potential impact on development that comes with the progression towards more balanced and equitable societies. CABEI will promote gender equity from two perspectives: first, by mainstreaming the issue in all of its interventions, and second, through its network of financial intermediaries, by offering specialized and innovative financial solutions such as low-interest loans and guarantee funds to benefit women entrepreneurs in different sectors of the value chain.

CABEI seeks to support government initiatives and programs of specialized organizations aimed at accelerating progress in gender equality and women's empowerment. These include the design and implementation of national strategies and gender policies, primary and tertiary education programs focused on the insertion and permanence of women, financial education, entrepreneurship and female entrepreneurship, promotion of rights and recognition of the care and household economy, mobilization of funds to expand access to social protection, and banking and gender inclusion. The Bank also promotes investments that foster access to inclusive, safe, and gender violence-free public spaces and environments that generate peace, security, and citizen well-being in harmony with the environment.



Environmental Impact Dimension

Seeks to promote environmental sustainability and the preservation of natural resources in CABEI member countries. Two strategic objectives have been defined for this dimension, which is based on the region's environmental performance:

6 Drive the decarbonization of our economies.

The bank continues to support the fulfillment of international commitments, particularly the Sustainable Development Goals (SDGs) and the Paris Agreement. This commitment focuses not only on mitigation through the decarbonization of economies, but also on strengthening the adaptive capacity and resilience of the region's countries, which are crucial elements for reducing their vulnerability to the adverse effects of climate change and promoting sustainable development.

The Bank encourages the channeling of investments and programs to support a just energy transition through strategic initiatives. It is crucial to focus efforts on interventions that significantly reduce greenhouse gas emissions in the sectors with the highest CO2 equivalent contributions. This can be achieved by supporting policies, programs and projects that promote the transition to low-carbon and climate-resilient economies; actions supported by the Bank include the promotion of renewable energy generation, the development of electricity transmission networks that enable reliable and quality energy supply, energy efficiency programs, and the promotion of universal access to affordable and reliable energy.

7 Enhancing the natural capital of our countries.

Natural capital is fundamental for the sustainable development of the Bank's member countries, which depend heavily on their natural resources to boost their economies and improve the quality of life of their populations. This capital includes biodiversity, terrestrial ecosystems, marine and coastal resources, and water resources. The region is characterized by a wealth of biodiversity, tropical forests, freshwater and marine ecosystems. These resources are essential for economic sectors such as agriculture, tourism, fisheries and energy.

The Bank promotes the protection, conservation and sustainable management of natural capital through the promotion of innovative financial initiatives and solutions that have a positive impact on key sectors. The protection of natural capital is vital to increase resilience to climate change; for example, healthy ecosystems, such as mangroves and forests, act as natural barriers against extreme events, such as hurricanes and floods, which are frequent in the region. In addition, biodiversity is a crucial resource for climate adaptation, providing essential ecosystem services.

STRATEGIC OBJECTIVES

Seeks to consolidate and preserve CABEI's role as a leader in mobilizing resources for the region, returning to the path of active management of its international risk rating. Thus, maximizing CABEI's financial capacity is essential to advance strategic priorities, as well as to support the financial and operational instruments necessary to deploy capital in an effective/optimal manner and generate impact.

OBJECTIVES OF THE HIGH IMPACT FINANCE PILLAR

8 **Maintain a solid financial profile that supports the effective management of resources at the lowest possible cost.**

The Bank seeks to maximize the generation of value and positive impacts through the permanent positioning of a solid financial profile that optimizes the institution's capabilities. To this end, it seeks to maintain a stable earnings base and capital growth management of new or existing members, which should be reflected in a strong credit rating that facilitates access to resources under the best possible financial conditions.

9 **Manage and mobilize thematic resources under the best financial conditions in partnership with markets and other recognized counterparts in the development finance ecosystem.**

The Bank actively manages strategic alliances and thematic fundraising that allow it not only to expand its availability of lendable resources, but mainly to finance operations with greater potential for positive impact.



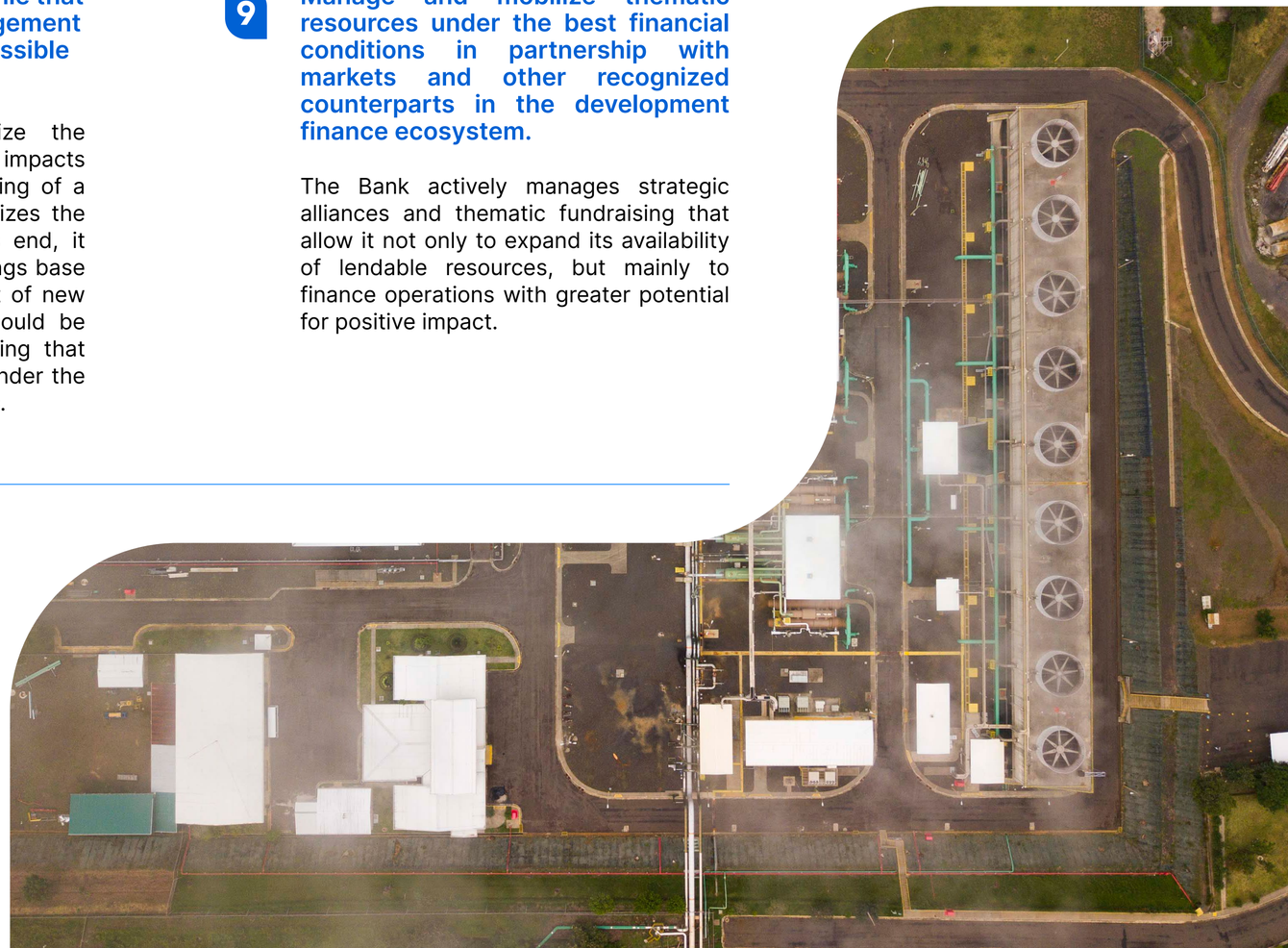


Figure 2

Summary of Strategic Objectives

Economic Impact Dimension

1. Boost growth and economic integration.
2. Promote the entrepreneurship ecosystem, MSMEs and the attraction of Foreign Direct Investment (focus on “nearshoring”).

Social Impact Dimension

3. Improve people's quality of life
4. Retain and enhance human capital in our countries.
5. Promote inclusion and gender equity.

Environmental Impact Dimension

6. Boosting the decarbonization of our economies.
7. Enhance the natural capital of our countries

Positive impact pillar

8. Maintain a sound financial profile that supports effective resource management at the lowest possible cost.
9. Manage and mobilize thematic resources under the best financial conditions in alliance with markets and other recognized counterparts in the development financing ecosystem.

High-impact finance pillar



ENABLING OR INSTITUTIONAL TRANSFORMATION OBJECTIVES

OBJECTIVES OF THE TRANSPARENCY PILLAR

1 Strengthen the measurement of the development impact of CABEI operations.

To this end, it is important to improve the mechanisms for quantifying the results of the Bank's interventions in the economic, social and environmental dimensions, in order to better adapt to the needs and requirements of the Institution and, likewise, to international best practices, incorporating lessons learned, improvements in management and dissemination of the baselines, metrics and methodologies that will be used to measure these results.

The Bank seeks to ensure that most of the operations it finances have an adequate evaluability framework. In this way, it seeks to ensure positive impact and the correct traceability of the expected chain of results. To this end, CABEI must allocate specialized human talent and technological resources to identify the potential positive footprint of the interventions it proposes to approve, as well as their effectiveness throughout the project cycle.

2 Promote transparency through strong governance mechanisms, comprehensive institutional policies and effective communication channels (Transparency and Accountability).

These instruments are designed to provide key information to increase the awareness of the public and our external stakeholders about CABEI's mission and responsibilities, with the firm objective of strengthening accountability. Recognizing that the Bank administers public funds, these actions, both internal and external, seek to consolidate our role as a trustworthy, transparent and accountable institution.

The Bank focuses its efforts on developing open and accessible communication and liaison mechanisms that strengthen the relationship with all our stakeholders. These efforts are aimed at obtaining valuable inputs to optimize the design and execution of our operations and institutional policies, thus contributing to strengthen development results. Through these means, CABEI ensures that relevant information is available to the public and that the Institution's decisions are adequately understood, promoting an environment in which transparency is an unwavering standard. Likewise, the Bank reinforces and provides greater visibility to all channels of complaints, guaranteeing that they are investigated seriously in order to strengthen accountability and maintain confidence in our management.



ENABLING OR INSTITUTIONAL TRANSFORMATION OBJECTIVES

OBJECTIVES OF THE OPERATIONAL EXCELLENCE PILLAR

3 **To have a comprehensive program for attracting, training and retaining talent in the Bank that promotes the continuous availability of specialized personnel and the efficiency of a dynamic growth environment within an appropriate work environment ("Comprehensive development of our employees").**

To this end, it will implement compensation, training and recognition programs that are competitive and that continuously improve analytical and executive capabilities. It will also promote plans and actions that favor the organizational climate and promote the effective practice of institutional values, integrity, respect, transparency, and excellence.

4 **Optimize CABEI's operational efficiency and internal processes (Digital Transformation and Agility).**

One of the fundamental pillars for this new five-year period is the analysis, redesign and improvement of the Bank's processes through technology, aimed at providing new institutional capabilities, improving existing ones and making processes more efficient, seeking to provide value to the institution and its clients through the following:

- **Digital transformation of the Bank's processes.** Technology is driving a radical leap in the way CABEI's processes are carried out, replacing various human tasks with new technologies, such as automated bots (RPA) that will perform the repetitive and operational tasks of the processes, as well as artificial intelligence (AI) that will optimize the search for and analysis of information and the prediction of scenarios for decision-making. This vision is complemented by the automation of processes through different levels of technological maturity based on institutional needs, operational efficiency and associated cost-benefit, developing customized solutions or increasing the capabilities of existing solutions, as well as improving operations and project management processes, financial and risk management.

- **Transforming the customer experience.** A digital channel will be created for our clients in each country and executing units to put key information about their loans, operations and projects in their hands, allowing them to visualize the disbursement schedule, the amortization plan, payment notices or the current status of their operation at the click of a button, with dashboards that allow them to have a global vision of the status of the loan portfolio they have with the Bank. Likewise, this portal will allow managing the existing interaction between the Bank and the executing units in the execution stage of the project by increasing the capabilities of the existing digital services portal. This facilitates the digital transformation to be extended to our clients, optimizing the interaction processes with them and giving them the capacity to consume and exploit information to improve their decision making, transforming the experience of working with CABEI.

- **Maximizing the value of data as a strategic enabler.** CABEI recognizes that data is an asset that must be converted into actionable knowledge for decision making. To this end, data must be democratized throughout the institution so that it is available to all collaborators, consumed while ensuring its quality, integrity and availability, analyzed and exploited using predictive and artificial intelligence tools, and shared openly with all stakeholders. All this is achieved with the implementation of the Data Management and Governance Model and the creation of a cultural change oriented towards a world-class data driven organization.

- **Development of technology as a strategic component.** In order to be the engine of digital transformation, the Bank must transform its technological capabilities and infrastructure. In this sense, it is expected to optimize the management of technological services, expand the capabilities of the technological platform and continue with the maturity of the IT management governance framework and the institutional agility framework.

- **Ensuring the integrity and protection of digital assets.** The constant technological changes in a more open and interconnected world, where cybercrime increases over the years, demand continued efforts to protect technological assets, internal systems and sensitive information, by increasing the Bank's cyber resilience capabilities and the implementation of access management and identity governance systems that support the creation of a more interconnected and at the same time more secure Bank.

5 Promote management based on technical rigor and comprehensive risk control.

Taking into account the magnitude of the countries' challenges and the complexities of today's world, CABEI implements a new culture of creativity and objectivity in the way it attends to each client's needs. To this end, it is harnessing the full potential of its human talent and its analytical and digital transformation tools, while consolidating a data-driven management scheme that will strengthen its objectivity and impact. Regarding risk control, the Bank promotes a comprehensive approach to its management and internal control, seeking to ensure that strategic and operational decisions are based on sound technical criteria, which in turn mitigate the risks identified in the different processes of the Institution.

The Bank promotes comprehensive risk management as a key and transversal element in the execution of its Institutional Strategy. Effective supervision of the Comprehensive Risk Management System (SIGER) is ensured, addressing critical risks for the Institution, both financial (market, credit, counterparty, reserves, capital adequacy, balance sheet optimization, etc.) and non-financial (strategic, operational, business continuity and internal control system risks).

CABEI bases the fulfillment of its strategic objectives on a solid and holistic risk management and internal control scheme. These processes must be continuously strengthened as a central part of its governance, implementing mechanisms and initiatives to ensure that its operations are carried out in a controlled risk environment, aligned with good practices and in compliance with the guidelines defined in the institutional regulatory framework, such as:

- Financial strengthening and balance sheet optimization.
- Strengthening and updating of financial risk management methodologies.
- Automation and improvement of financial risk management processes.
- Consolidation of strategic, operational and business continuity risk management, as well as mechanisms for fiduciary risk management in operations.
- Ensuring the effectiveness of the internal control system over the financial reporting process and compliance of funds and programs administered by CABEI.
- Strengthening of CABEI's comprehensive risk management and internal control culture through the design and implementation of a Comprehensive Culture Plan that promotes efficient, transparent management aligned with international best practices.
- Greater integration of the Risk Rating System with the reserve estimation model.
- Revision of the methodology for the recognition of Preferred Creditworthiness.



6 Promote the development of effective and resilient operations that generate positive economic, social and environmental impacts (Sustainability in the DNA of all operations and being a positive Bank for the planet).

The Bank promotes the sustainability and resilience of its operations throughout all stages of the project cycle. To this end, it provides advice to co-design with its clients the best possible projects in terms of social impact, as well as productivity, sustainability and resilience. It also ensures these characteristics throughout the development and implementation stages, through its supervision, monitoring, fiduciary management and evaluation activities.

CABEI, committed to being a positive bank for the planet, promotes its facilities as environmentally sustainable spaces with the implementation of the Environmental Management System (EMS). To this end, it focuses its efforts on transforming its internal operations into zero waste, carbon neutral and water positive. In order for its facilities to be zero waste, the Bank encourages the reduction of waste that cannot be reused, recycled and composted to prevent it from being deposited in landfills or dumps. It also strengthens measures to reduce and offset carbon dioxide (CO2) and other greenhouse gas emissions generated in the daily operation of its facilities, ensuring that emissions released into the atmosphere are zero. It also strengthens the sustainable use of water resources by reaching the positive water milestone, promoting initiatives to reduce water consumption at its facilities and actively contributing to return water to ecosystems.

7 Promote an organizational culture that allows for building, housing and managing knowledge in such a way that it produces new methodologies and products that have an impact on the creation of positive value in a sustainable manner (constant innovation and proactivity to generate financial solutions for development).

CABEI is a valuable resource of advice and experience for the region. For this reason, knowledge management is key so that each of the solutions it structures and finances, as well as each complementary service it offers, maximize the potential for positive impact. The Bank transversalizes innovation in approaches, instruments and projects, so that it is reflected both in greater productivity of current processes and products, as well as in the emergence of new methodologies, products and services.

The Bank seeks to combine technologies, trends, best practices and knowledge of its clients, with a twofold purpose. First, to improve the efficiency of its processes, and second, to explore new methodologies and financial solutions. This implies that the Bank strengthens the capabilities of its human talent in order to develop skills to interact in innovative ecosystems and promote research and experimentation within its processes. In this way, CABEI promotes a management approach that combines the search for positive impact through efficiency gains with the development and implementation of new methodologies, products and services.

Figure 3

Summary of Enabling or Institutional Transformation Objectives

Transparency pillar

1. Strengthen the measurement of the development impact of CABEI operations.
2. Promote transparency through strong governance mechanisms, comprehensive institutional policies, and effective communication channels.

Operational excellence pillar

3. To have a comprehensive talent attraction, training and retention program.
4. Optimize operational efficiency and internal processes.
5. Promote management based on technical rigor and comprehensive risk control.
6. Promote the development of effective and resilient operations that generate positive impacts.
7. Promote a culture that allows building, hosting and managing knowledge (constant innovation and proactivity).To have a comprehensive talent attraction, training and retention program.



5 OUR VALUE OFFER

CABEI's value offer lies in its ability to catalyze sustainable and inclusive development through a unique combination of financing, technical knowledge and capacity building.

CABEI has the power to mobilize financial resources from strategic allies and to offer technical assistance and specialized knowledge in the region to address the most pressing challenges in its countries. The value offer is articulated in the following differentiating elements:

1 Regional focus and deep local knowledge

While other MDBs tend to have a global or multi-regional focus, CABEI is focused on Central America, combining in-depth knowledge of the local context with close relationships with national and local governments. The permanent flow of information with country authorities and the systematized study of their realities allows the Bank to leverage its strategic management in the face of changes in its members' priorities.

CABEI strengthens its focus as a benchmark in the region, offering customized solutions tailored to local needs and realities, seeking to adapt best international practices to the local context and offering a rapid and effective response to the region's challenges. Using this knowledge, CABEI also facilitates the transfer of knowledge among member countries, promoting best practices and innovative solutions.

2 Agile and collaborative business model

CABEI's operational management is characterized by its agility, which constitutes a competitive advantage over other development cooperation institutions. This strength is based not only on its regional knowledge, but also on its broad technical assistance capacity and rapid response times (mainly in the stages of preparation, analysis and approval of operations). This becomes critical in the face of unexpected changes in the environment and emergency situations where immediate responses are required, and highlights the flexibility of the institutional business model. Under stressful situations, CABEI has the capacity not only to adjust its strategy, accelerate operational and administrative times, but also to guarantee the observance of due process and compliance with regulatory controls.

This particularity is strengthened by the collaborative interaction scheme. In order to enhance the impact of the operations that CABEI finances, it seeks to work hand in hand with official government institutions, build synergies and complementarities with other MDBs and development cooperation agencies, complement its strategic focus with the work of SICA institutions, and leverage expert knowledge with external advisors and consultants. Additionally, being recognized as the Bank of Central America makes it a kind of strategic hub to channel the interests and resources of other key players wishing to enter the region.

3 Resource Mobilization

CABEI has the capacity to act as a catalyst for attracting resources to the region, mobilizing resources both in the form of concessional financing and grants from strategic allies, including other development banks and international financial institutions, maximizing the impact of its investments.

CABEI reinforces its role as a catalyst of resources to the region through its representative offices in Europe and Asia, seeking to mobilize highly concessional resources for transformative projects with a focus on innovation and environmental sustainability, acting as a bridge of opportunities between its strategic allies and its beneficiary countries.

4 Financial Intermediaries Network

CABEI has a network of financial intermediaries that is unique in the region, with more than 70 financial institutions of different sizes and approaches, which channel resources from CABEI and external sources to the productive sectors of CABEI member countries.

CABEI strengthens its network of financial intermediaries to channel resources to MSMEs as a major generator of employment and dynamizer of the countries' economies. This will be done through a renewed financial intermediation program with components that promote digital innovation, environmental sustainability and women's empowerment, channeling external funds from partners such as Germany and the European Union, thus ensuring greater concessionality of the resources dedicated to this sector.

5 Technical Assistance for the Generation of Differentiating Projects

CABEI has an extensive Technical Cooperation Program that allows it to support countries in developing the studies and designs necessary to carry out projects and programs of national interest.

CABEI strengthens its Technical Cooperation Program by catalyzing it as an incubator of differentiating projects for its member countries, both at the national and regional levels, incorporating elements of environmental sustainability, innovation, digitalization, inclusion and wellbeing in all of its operations, thus maximizing the positive impact generated with CABEI's trademark. CABEI also seeks to provide financial incentives particularly to initiatives that promote and contribute to the regional integration of the countries.

6 Accompaniment throughout the project life cycle

During the execution stage, CABEI becomes more than just the financier, it becomes a support for project implementation, providing close follow-up and contributing its experience and capacity to facilitate execution, ensuring that the expected results and impact objectives of the operation are achieved.

CABEI strengthens its capacity to support execution by providing innovative tools for project management, expert teams to streamline projects and specialized technical assistance during implementation. CABEI also supports capacity building and institutional strengthening through training programs for government officials, ensuring that they have the necessary skills to develop and manage the financed projects.

7 Focus on sustainability and the future

CABEI seeks to adopt a forward-looking approach in the formulation of its projects. In doing so, it guides its investments toward strategic initiatives that have a high transformational potential, especially in terms of the competitiveness, productivity and sustainability of the economies. Likewise, in view of growing social demands and the need for climate adaptation, it seeks to ensure that all its operations incorporate scalable and resilient elements. To this end, it seeks long-term results, focusing on sectors relevant to the economic growth and environmental and social development of its member countries.





STRATEGIC CLASSIFICATION

The operations to be financed by CABEI are characterized by 5 focus areas and 3 crosscutting axes, as detailed below.

Focus Areas

1 Water Resources and Biodiversity

Integrated water resource management is vital for drinking water supply, food production, energy generation, and aquatic biodiversity. The following initiatives are prioritized for this purpose:

Integrated water resource management.

It encompasses the planning and sustainable management of watersheds, thus favoring water management, ensuring its quantity and quality for multiple uses, mainly for human consumption and irrigation. It also includes aspects related to sustainable production, establishment of agroforestry systems, water efficiency, and development of reservoirs for water storage. Improving wastewater treatment and sanitation infrastructure prevents contamination of freshwater sources, such as rivers and aquifers. In addition, ensuring access to potable water for human consumption, through distribution networks and purification technologies, protects public health and reduces pressure on natural resources, promoting water and food security in the region.

Comprehensive solid waste management.

This significantly reduces the contamination of water bodies, since, in urban and rural areas, poorly managed waste is washed into rivers, lakes and groundwater, affecting water quality and the health of aquatic ecosystems. Implementing efficient waste collection, recycling and disposal systems minimizes the load of pollutants reaching water sources, thus protecting the water resource and ensuring its sustainability for future uses, such as drinking water supply and irrigation.

Circular economy.

It is important to promote the reuse and recycling of water, minimizing waste and optimizing the use of water resources. Instead of following a linear approach where water is extracted, used, and discarded, the circular economy encourages water recovery and recycling, reducing the need to enable new freshwater sources and reducing pollution associated with the discharge of untreated wastewater. By integrating cross-cutting circular economy practices, the region can strengthen the sustainable use of water and ensure the resilience of its water resources in the face of climate change and growing demand.

Biodiversity conservation contributes to climate regulation, soil fertility, maintenance of the hydrological cycle, provision of food and medicine, and tourism, among others. Interventions focused on the following areas are prioritized for this purpose:

Conservation and restoration of fragile ecosystems.

It is important to protect critical areas such as productive ecosystems, mangroves, wetlands, tropical forests and coral reefs, which are essential for biodiversity. Restoring degraded ecosystems, such as reforestation or mangrove regeneration, helps restore habitats for numerous species, improves water quality and contributes to carbon sequestration, mitigating climate change. These efforts also increase the resilience of communities to extreme natural events by re-establishing natural barriers that protect coasts and watersheds. Additionally, this allows for the promotion of best practices to foster sustainable tourism.

Blue economy and marine-coastal ecosystems.

Includes the promotion of the sustainable use of ocean and coastal resources for economic growth, improving livelihoods and ensuring the health of marine ecosystems. Initiatives such as sustainable fisheries, marine ecotourism and protection of marine areas contribute to maintaining marine biodiversity while providing economic benefits to coastal communities. In addition, working in coastal marine ecosystems strengthens the conservation of key species, such as corals and fish, and helps restore critical habitats such as reefs, which in turn boosts fisheries productivity and protects against coastal erosion.

Management and protection of transboundary watersheds.

These are vital for biodiversity and water sustainability; shared management of these watersheds allows countries to coordinate the protection of ecosystems and wildlife habitats, prevent deforestation, forest fires and overexploitation of water resources, and mitigate pollution. Transboundary cooperation is also crucial to ensure ecosystem connectivity and protect migratory species that depend on these bodies of water.

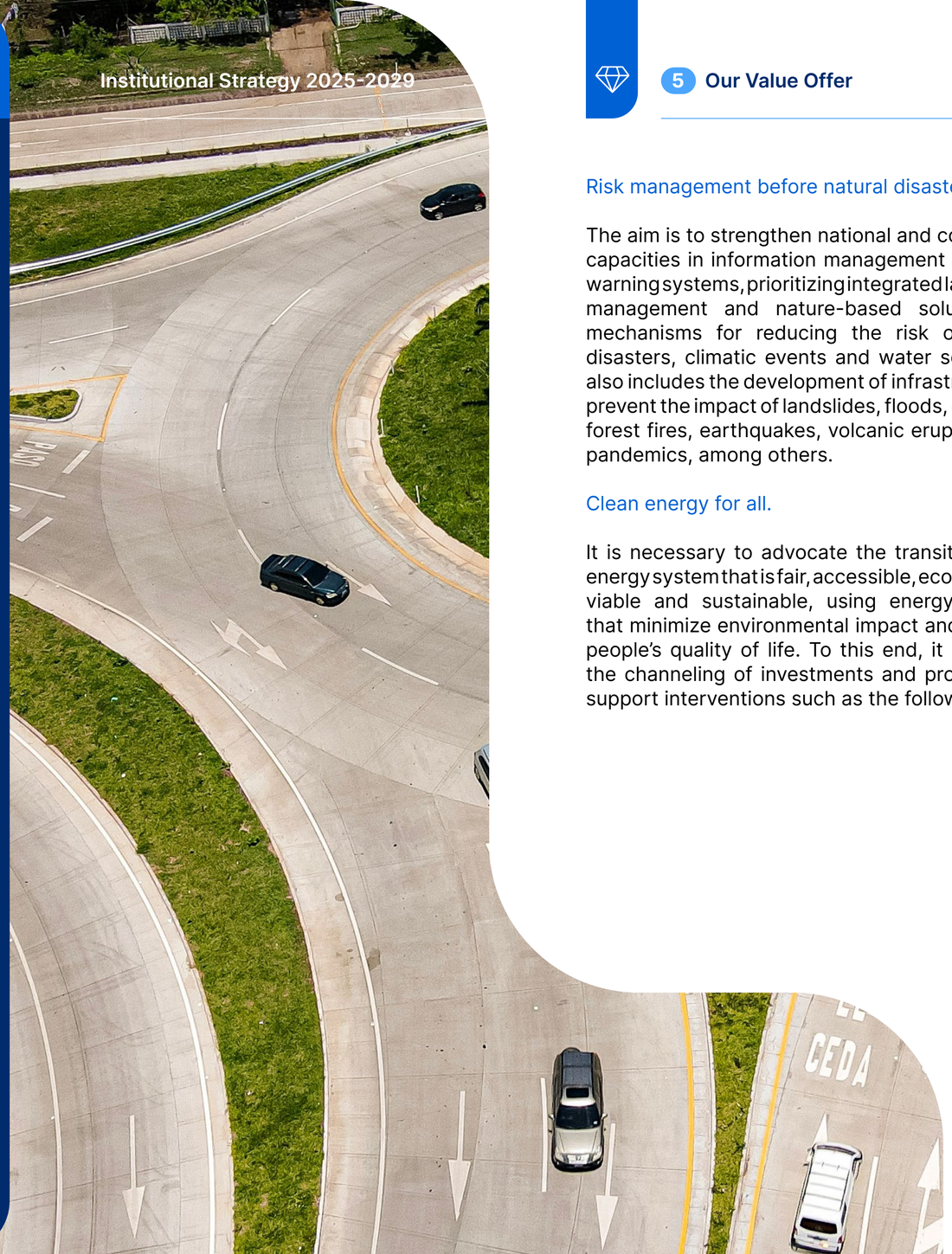
2 Energy, and resilient and inclusive infrastructure.

CABEI is the most relevant financial arm for the development of productive infrastructure in the region.

It has the experience and tools to continue promoting infrastructure development, now with a focus on resilience, inclusion and environmental sustainability, developing comprehensive actions that encompass both the reduction of greenhouse gas (GHG) emissions and adaptation to climate change, and promoting the transition to low-carbon economies that are resilient to climate impacts. These actions not only strengthen infrastructure in the face of disasters, but also contribute to faster recovery and greater economic stability in the region. To this end, CABEI will prioritize investments in:

Sustainable logistics infrastructure.

This includes a comprehensive and proactive approach to meet the challenges of transportation and distribution of goods in a context of growing environmental concern. To this end, CABEI supports programs and projects for the construction and rehabilitation of productive infrastructure such as roads, bridges, customs, ports, airports, railways, logistics storage centers, communication networks, among others, that integrate principles of energy efficiency, emissions reduction, climate resilience, innovation and technology, safe spaces and community participation, supporting countries in the creation of intermodal logistics corridors that are not only economical and efficient, but also environmentally friendly and beneficial to communities. CABEI's infrastructure interventions seek to be resilient and use materials and construction techniques that are resistant to environmental vulnerability; they also seek to develop drainage systems that respond to hydrological patterns and efficient hydraulic designs to manage rainwater and prevent damage, as well as resilient communication networks that ensure operability during emergencies.



Risk management before natural disasters.

The aim is to strengthen national and community capacities in information management and early warning systems, prioritizing integrated landscape management and nature-based solutions as mechanisms for reducing the risk of natural disasters, climatic events and water security. It also includes the development of infrastructure to prevent the impact of landslides, floods, droughts, forest fires, earthquakes, volcanic eruptions and pandemics, among others.

Clean energy for all.

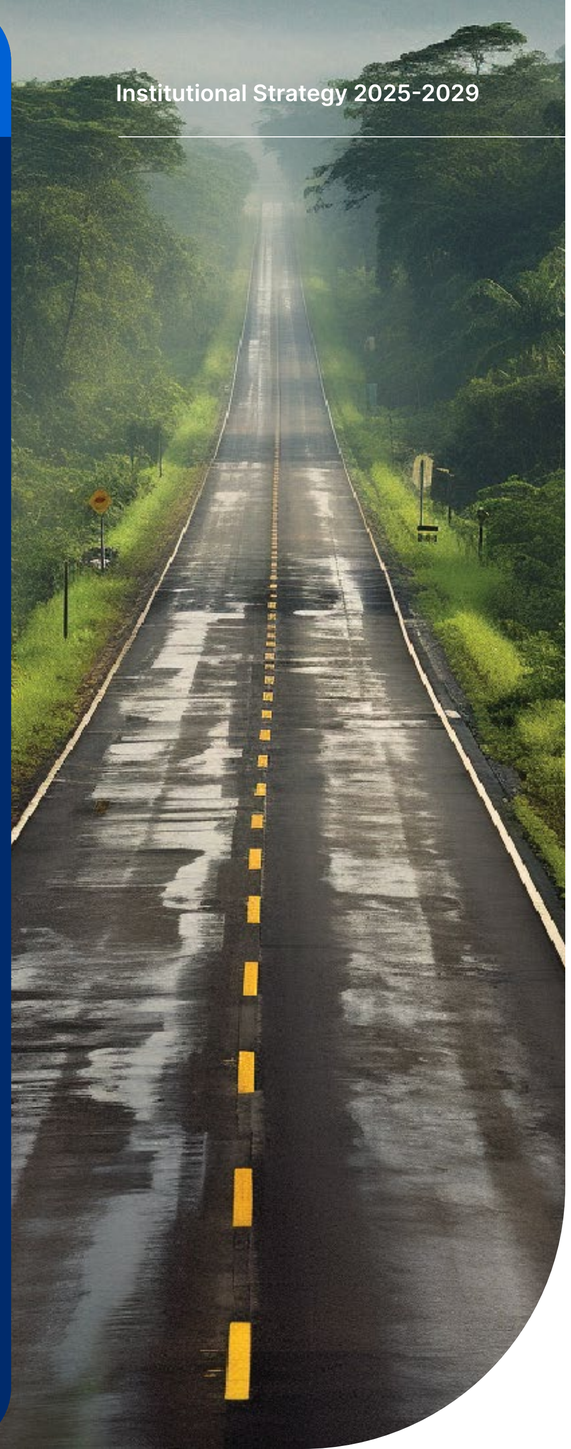
It is necessary to advocate the transition to an energy system that is fair, accessible, economically viable and sustainable, using energy sources that minimize environmental impact and improve people's quality of life. To this end, it promotes the channeling of investments and programs to support interventions such as the following:

Generation of energy from renewable sources. To this end, investment in solar, wind, hydroelectric and geothermal energy projects should be encouraged. Likewise, promote complementary technologies that promote the development of renewable generation sources such as energy storage, located next to generation assets, which allow greater flexibility to the electricity systems of the countries.

Electricity transmission networks that allow for reliable, affordable and quality energy supply. In order to efficiently integrate new renewable energy capacity into the electricity grid, it is necessary to develop and modernize transmission networks. This implies the promotion of flexible electricity systems capable of adapting to electricity demand on a constant basis, which allows for an increase in the security and sufficiency of electricity supply. This includes the construction of smart grids, the development of energy storage systems, support for the consolidation of the Regional Electricity Market (SIEPAC Line) and the promotion of new schemes for the expansion of the region's electricity transmission systems.

Energy efficiency programs. This aspect is fundamental to optimize energy use and reduce consumption in all sectors of the economy. Such efforts allow for the reduction of energy intensity through the more efficient use of energy to produce a unit of GDP. To this end, it is necessary to establish and reinforce energy efficiency regulations and standards for buildings, household appliances and industrial equipment. In addition, economic incentives, such as tax credits and subsidies, should be generated for companies and households that adopt energy efficiency measures, promoting energy auditing and loss reduction programs to identify areas for improvement in energy consumption in industries, commercial buildings and residences.

Universal access to affordable and reliable energy. It is essential to ensure that all citizens, especially vulnerable communities, can benefit from the energy transition. To this end, investment must be made in the expansion and modernization of energy infrastructure to reach rural and marginalized areas that currently lack access to electricity. This includes the construction of distribution networks and the installation of decentralized renewable energy systems, as well as the implementation of fair and affordable tariff policies to ensure that energy costs do not represent an excessive economic burden for low-income households. Finally, it must ensure that the energy supply is reliable and continuous by investing in the modernization and expansion of the electrical distribution network, the implementation of backup systems, storage systems, and the improvement of the capacity to respond to supply interruptions. CABEI also promotes cooperation among the countries of the region in the development of joint solutions to energy challenges.



3 Cities and sustainable mobility.

Sustainable and accessible transportation.

This is a comprehensive approach that seeks to transform the transportation systems of member countries towards more efficient, equitable and environmentally friendly mobility. To this end, CABEI focuses its support on transportation solutions with clean technologies and low environmental impact, optimizing energy consumption, incorporating accessibility and equity components, as well as promoting active mobility. CABEI seeks to ensure that its interventions in this sector not only satisfy current needs, but also promote a healthier, more efficient and sustainable future for generations to come. To this end, CABEI promotes interventions in:

Sustainable public transportation. Investment should be encouraged in projects to develop public transportation systems, with emphasis on mass transportation, which will enable the region's cities to solve problems of congestion, safety, pollution and competitiveness, thus improving the quality of life of their inhabitants. Likewise, to promote complementary technologies that promote energy efficiency in transportation modes.

Active mobility. Investment in non-motorized infrastructure, such as sidewalks and bicycle paths, should be promoted, as well as their inclusion in new and existing road networks.

Sustainable cities. It includes a comprehensive approach to urban development that seeks to balance economic growth, social equity and environmental protection in a harmonious manner, encouraging tourism and ensuring a high quality of life for the population, while minimizing its environmental impact and fostering resilience to future challenges. To this end, CABEI supports urban planning and development initiatives that promote sustainable habitat, active mobility and efficient public transportation, adequate resource management, access to basic services, green spaces for recreation and leisure, the use of technology to modernize and streamline urban services (Smart Cities) and the design of urban infrastructure that is resilient and adapted to climate change.

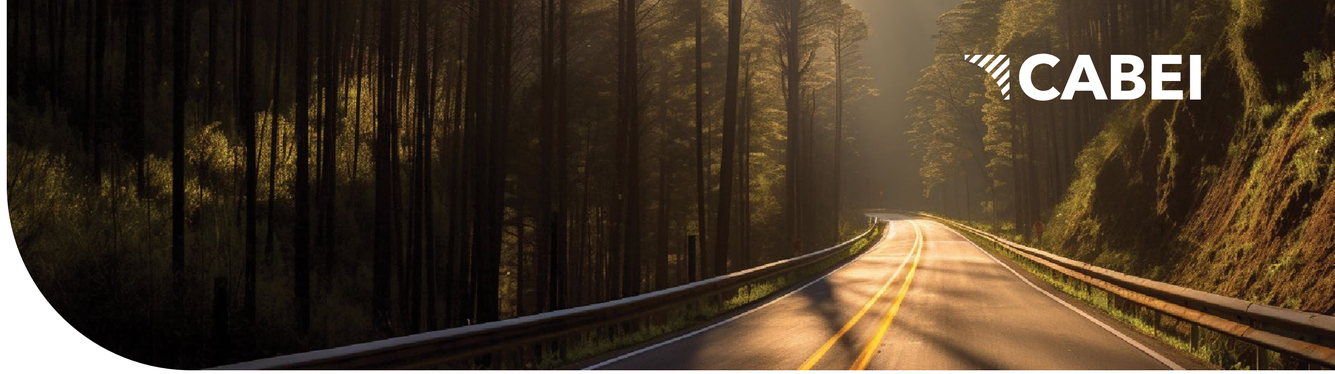
4 Financial inclusion and entrepreneurship.

Financial inclusion and entrepreneurship are fundamental elements for sustainable and equitable economic development.

By guaranteeing access to financial services and supporting entrepreneurship, CABEI seeks to create opportunities for more people to actively participate in the economy, improve their living conditions and contribute to overall economic growth. CABEI serves this sector through its network of financial intermediaries, channeling its resources to support:

MSMEs with a sustainable approach. CABEI allocates its financial intermediation resources to promote the development of micro, small and medium-sized enterprises, prioritizing those MSMEs that present differentiating elements of innovation and technology, and that place special emphasis on the environmental sustainability of their operations through practices that reduce the consumption of natural resources, adoption of efficient technologies, incorporation of renewable energy sources, development of strategies to address environmental and social risks, among others.

Economic empowerment of women. Through financial intermediation, CABEI promotes initiatives aimed at channeling resources to MSMEs directed or owned by women, as a means to promote economic equality, financial independence and women's participation in the economy. In this way, the resources help reduce gender gaps in the business and economic sphere, offering women the tools and opportunities they need to succeed in the business world.



5 Human development and social prosperity.

CABEI's interventions in this sector are focused on people.

They seek to have a direct impact on the reduction of poverty and inequalities by covering basic needs, improving quality of life and generating opportunities, with a focus on social progress. In this way, it promotes an increase in the well-being of the population, generating roots and facilitating the retention of human talent to the detriment of migratory dynamics.

Improving people's well-being. CABEI plans to support basic education interventions, free access to knowledge and efficient health systems. To this end, CABEI will prioritize investments for access and strengthening of:

- **Food security.** This is a fundamental approach to the production of healthy and safe food that promotes nutrition and health, favoring the productive potential of people, especially vulnerable groups. In this sense, the Bank finances projects and programs that contribute to access to food and adequate nutrition in the population.
- **Water for consumption and sustainable sanitation.** This is fundamental for human development because of its direct impact on public health. CABEI finances operations aimed at increasing the quality and quantity of potable water and sanitation coverage, including the construction and improvement of infrastructure and integrating models that involve institutional strengthening and community participation for the efficient use of resources.
- **Sustainable Habitat.** The Bank supports initiatives aimed at developing housing for the safe shelter of families through a concept of sustainable habitat where people can live, work and interact harmoniously with the environment, promoting a balance between social, economic and environmental aspects. CABEI seeks to ensure that its interventions in this sector integrate components of efficient land use; access to potable water and sanitation; connectivity; availability of green areas, public spaces and collective facilities; energy efficiency; comprehensive risk management in the face of natural disasters; as well as the development of designs that take into account concepts of resilience, use of sustainable materials, protection of ecosystems and the use of nature-based solutions.
- **Physical and mental health.** Access to quality health services is a fundamental right that implies the availability of adequate, equitable, timely and effective health care for all people. CABEI promotes strategic investments to support countries in health infrastructure projects (health care centers, clinics, hospitals) with geographic, economic, cultural and social accessibility conditions, as well as investments aimed at raising the quality of health care, incorporating elements of technological innovation and digitalization.
- **Knowledge.** CABEI supports initiatives aimed at increasing learning opportunities that allow not only the acquisition of knowledge, but also the development of skills and competencies necessary to actively contribute to social, economic, cultural and environmental progress. To this end, the Bank supports projects for adequate educational infrastructure and the reduction of the digital gap, which promote educational coverage and equity in access. It also includes initiatives or programs for teacher training and curriculum improvement with educational content linked to the needs of global and local development and innovative methodologies that ensure quality education.
- **Art, culture and healthy recreation.** CABEI supports interventions aimed at promoting the development of sports activities and other activities related to healthy recreation. Sports are considered an instrument for addressing certain social problems as an intervention strategy. Likewise, culture can serve as a platform for education, the transmission of values and the promotion of a healthy lifestyle, fundamental aspects in the creation of healthy and equitable societies.

Improving access to opportunities as a basis for social progress. CABEI prioritizes interventions that enable people to reach their full potential through:

- **Access to employment.** The Bank supports projects, programs and actions whose primary objective is the creation of fair employment and entrepreneurship, motivating technological innovation in support of productive processes.
- **Job skills.** CABEI supports initiatives aimed at improving access to higher education and technical and professional training to develop the population's skills and competencies, with an emphasis on preparing young people for the world of work, especially in key sectors for economic and social development.



Transversal Axes

Economic Integration.

Based on its constitutional mandate, CABEI actively promotes economic integration and trade facilitation among the countries. To this end, it allocates resources for the creation of programs that promote integration through all of its focus areas, including regional logistics infrastructure initiatives, customs facilitation, biodiversity protection with a regional approach, plant and animal health, as well as water and food security. It also seeks to serve as a bridge between countries by fostering collaboration among countries through forums, platforms and tools that facilitate the transfer of information and knowledge in the region.

Social and Environmental Sustainability.

CABEI strives to ensure that all its initiatives comply with the highest environmental and social standards throughout their life cycle, promoting a comprehensive approach that takes into account environmental care and the well-being of society. To this end, it integrates into its operations, regardless of the area of focus, elements that promote the responsible use of natural resources (soil, water, forest and biodiversity) and elements of climate change mitigation and adaptation, as well as aspects that foster community participation and strengthening, respect for human rights, equal opportunities and the protection of vulnerable groups.

Gender equity.

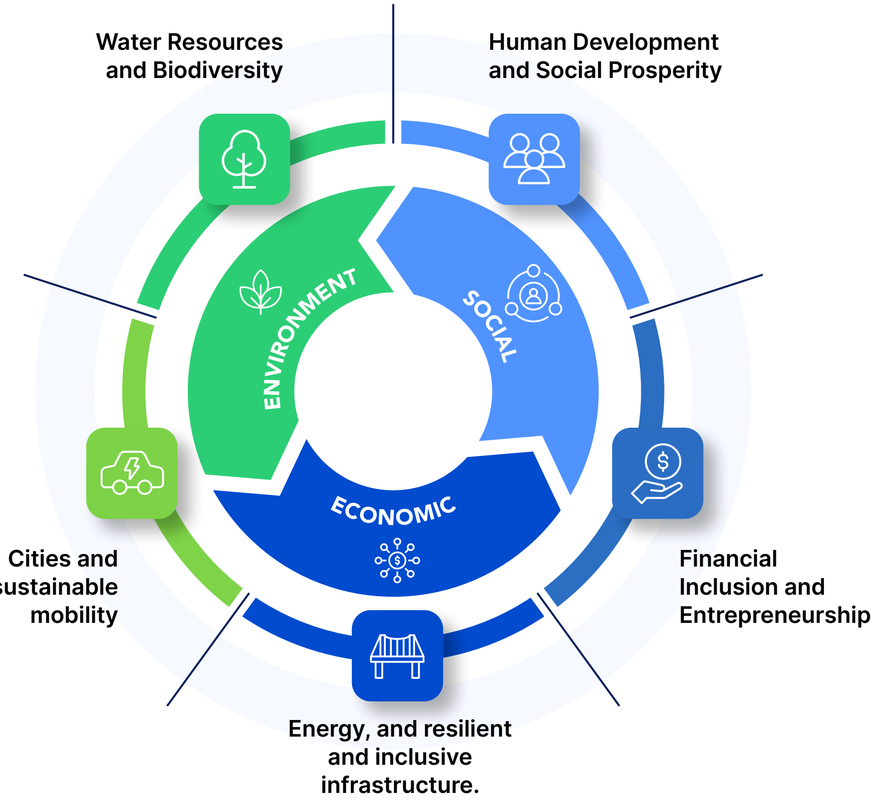
CABEI promotes gender inclusion and equity in its operations, from formulation to implementation and monitoring, mainstreaming a “gender lens” to reduce the gaps between men and women in all sectors and maximize their positive impact on development.

Innovation and Digital Transformation.

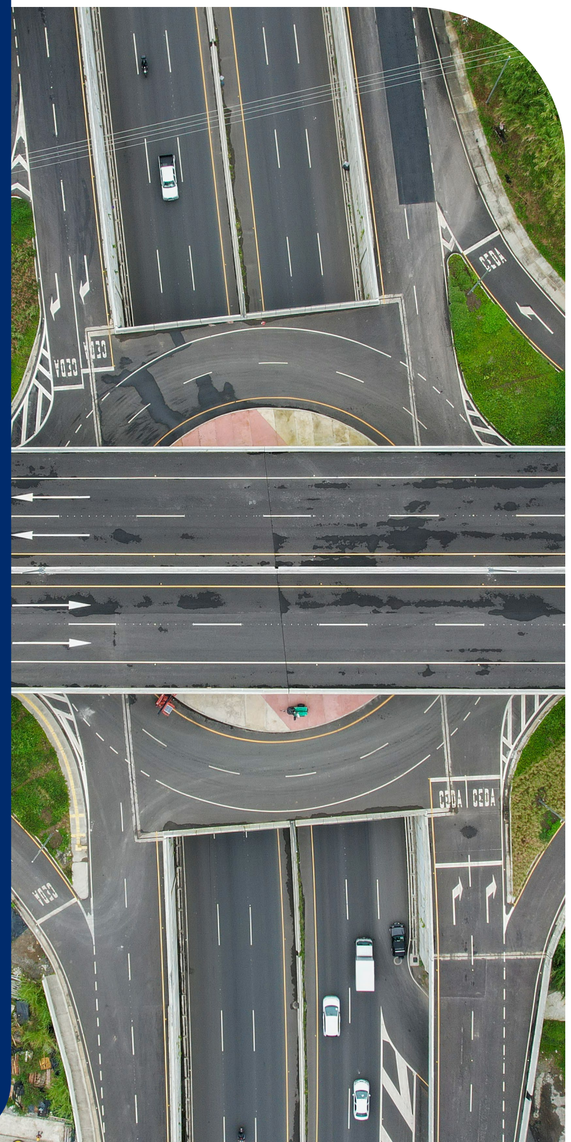
CABEI seeks to support its member countries in accelerating digitalization, promoting technological and social innovation, digital inclusion and competitiveness in all its interventions.

Figure 4

Focus Areas



FINANCIAL SOLUTIONS



Public Sector Financing

CABEI provides timely, cost-effective and efficient solutions for priority public sector projects, as well as for regional integration initiatives framed within the sectors of the Institutional Strategy. To this end, it will offer a range of financial and non-financial products ranging from technical cooperation for project preparation, competitive concessional financing, as well as innovative instruments designed to adapt to the needs and capacities of its member countries.

In addition to traditional instruments for the sovereign and non-sovereign public sector, CABEI strengthens its offer with other financial solutions. These include the following:

Lending with resources from external sources. To this end, the Bank strengthens its network of strategic partners, bringing the interests of external sources closer to the needs of its member countries and becoming an international benchmark for channeling resources that generate a transformational and positive impact in the region.

Promoting carbon markets. Key tool to finance both resilient infrastructure projects and to support decarbonization. Carbon markets provide a mechanism to assign a price to carbon and encourage emissions reductions through the purchase and sale of emission permits and carbon credits, as well as to finance projects that improve infrastructure resilience.

Financing programs tailored to disaster response. Creation of specialized products for rapid and timely response in early recovery processes, mitigation measures and resilient reconstruction.

Financing schemes through Partial Payment Certificates (PPC). In line with its objective to create financial products aligned to the needs of its country members, CABEI will explore different financing long-term schemes to the sector public, including alternatives of Partial Payment Certificates to the project contractor, which establishes a specific payment date for an amount equivalent to the expenses derived from the project progress during a defined period.

Public-Private Alliances. With a focus in strengthening the countries public sector capabilities to manage this kind of financing, supporting them for the use of this financial instrument from the beginning to the end.

CABEI will complement its offer through non-financial solutions aimed at strengthening project generation and execution capacity. These solutions include the following:

Technical cooperation for project preparation. Support is provided to countries to generate a portfolio of bankable projects, facilitating the development of the necessary technical, economic, environmental and social studies and integrating innovation, digitalization, sustainability and inclusion components in their design.

Capacity building and institutional strengthening. This includes the implementation of programs to improve the capacity of governments and public institutions to design, implement and monitor projects, including training programs for government officials and key stakeholders, ensuring that they have the necessary skills for project management. It also promotes the transfer of knowledge among member countries, the use of best practices, the adoption of international standards and innovative solutions adapted to the region.

Support for project implementation. CABEI recognizes the need to provide its member countries with more active collaboration in the execution of the projects it finances, so that they can be executed quickly. To this end, the Bank provides support through innovative monitoring schemes, the creation of teams specialized in expediting projects, as well as the adoption of flexible regulations adapted to the reality of the countries.



Private Sector Financing

CABEI focuses its resources mainly on financial intermediation products. It leverages and enhances its experience in this sector, as well as its broad financial intermediaries network to offer financing for micro, small and medium-size enterprises. Likewise, CABEI participate in financing the corporate sector and public-private partnerships, with the following approach:

New scheme of Financial intermediation. Strengthening the current network of financial intermediaries, focusing the offer through a renewed financial intermediation model under a ESG framework, aimed at promoting responsible investments with social and environmental benefits, as well as, the empowerment of women for the generation of employment and the dynamization of economies.

Lending to the corporate sector. Focus on high impact and public interest projects, seeking to have the appropriate regulations and procedures that allow for flexibility and agility to effectively serve this sector, as well as to grant competitive financial conditions

Public-Private Partnerships. Channeling funds to large infrastructure projects, ensuring that both sectors (public and private) collaborate on equal terms and maximizing the impact of investments.CABEI promote PPP schemes in countries with a lower loan portfolio exposure, supporting the Bank loan diversification objective.

Financing for Projects of High Strategic Importance for the Regional Integration Process

CABEI is a generator of initiatives of high strategic importance for integration. In order to promote integration in accordance with its constitutional mandate, CABEI allocates resources to finance under special conditions this type of initiative; it seeks to support the work agenda of the integration institutions. Some financial solutions to support regional initiatives are listed below:

Financing programs and projects with preferential financial conditions. Taking into account the impact generated by regional initiatives, CABEI seeks to identify and allocate resources with special financial conditions to financing that promotes regional integration, through its own resources and the management of resources from external sources and strategic partners.

Structuring of regional investment funds. Creation and management of thematic investment funds (such as infrastructure, renewable energy, biodiversity protection, etc.) in which CABEI acts as a structuring and anchor, allowing the entry of other investors. Likewise, CABEI will be positioned as the main vehicle for investment in key projects, channeling private capital to strategic areas for regional development.

Likewise, these financial instruments are complemented by non-financial solutions aimed at encouraging dialogue between countries, as well as to prepare program and projects of regional importance. Some of these solutions are listed below:

Platform for information, dialogue and cooperation. Aims to facilitate communication and collaboration among countries, promoting regional integration and policy coordination to address common challenges such as poverty, migration, climate change, among others.

Generation of regional programs and projects. Uses technical cooperation to produce initiatives that foster regional integration and facilitate trade among countries, proactively promoting projects in food and nutrition security, logistics infrastructure, customs interoperability, energy, biodiversity protection, sustainable tourism, and other strategic areas for the region.



PROJECTS, PROGRAMS, INITIATIVES

CABEI promotes high-impact initiatives that are emblematic for the countries.

Within the framework of its value offer, and in addition to the projects requested by the countries, the Bank promotes initiatives in the economic, environmental and social dimensions through the proactive generation of differentiating programs and projects adapted to the countries' needs, with special emphasis on climate adaptation, as well as regional integration.

Some of the flagship initiatives during the five-year period are listed below, by focus area:

Water Resource and Biodiversity

- Operations for climate action and environmental sustainability in the SICA Region.
- Blue economy for the protection of the Mesoamerican Reef.

Energy, and Resilient and inclusive infrastructure

- Support of the Regional Mobility and Logistic Plan 2035.
- Promotion of customs streamlining and digitalization.
- Generation of innovative business opportunities to boost the energy transition in Central America and the Dominican Republic.

Cities and sustainable mobility

- Promotion of Smart Cities systems.

Financial inclusion and entrepreneurship

- New Financial intermediation scheme with ESG focus.

Human development and social prosperity

- Technical and professional training that contributes to labor insertion in high value-added sectors and with a gender focus.
- Food security program for vulnerable groups.

ATTENTION TO **MEMBER COUNTRIES**

CABEI is committed to generating a positive impact in all of its member countries.

To this end, taking its institutional strategy as a framework, CABEI develops strategies or attention plans for each of them, focused on their needs and capacities and aligned with current government plans. Its goal is to support the economic, social and environmental well-being of the population, working hand in hand with governments and the private sector.

In addition to its individual offerings, CABEI strengthens its focus on promoting regional integration. It makes substantive efforts in compliance with its constitutional mandate to promote initiatives that generate greater cohesion, collaboration and trade facilitation among the countries. The Bank carries out its interventions recognizing the variations in the demand for resources, supporting the priority sectors for each country within its value offer and using its different financial instruments according to the needs and conditions of each one of them.

CABEI has a strategic presence in other regions with a high potential to add to institutional integration and cooperation efforts. The presence of non-regional members has facilitated the Bank's beneficial internationalization in different areas; for example, access to new financial markets, the transfer of knowledge and technology to member countries, as well as access to financial resources to increase the scope of operations. In this new five-year period, non-regional members continue to be fundamental allies in leveraging the Bank's capabilities and maximizing the impact of its operations.





6

FINANCIAL CAPACITY

FINANCIAL STRENGTHENING AND **CAPITALIZATION**

It is vital to position CABEI with a solid financial profile.

In this regard, the Bank has a financial strategy aimed at promoting this profile, under criteria of prudence and profitability, which facilitates optimal resource management for its members, under the best possible conditions. In this way, the Bank can finance operations that generate positive impacts through the mobilization of specialized resources, both its own and in alliance with other relevant actors in the development financing ecosystem.

CABEI's Finance Strategy is composed of the pillars of capital management, balance sheet administration, fund raising, financial intermediation and risk rating. First, the level of capitalization is the main factor that determines the Bank's level of solvency and also one of the aspects on which its risk rating is based. On the other hand, balance sheet administration is a key component to ensure financial soundness and operational efficiency and implies an active management of assets and liabilities, balancing market risks. As for the third pillar, the Bank is an ideal vehicle for establishing strategic alliances and channeling resources to the region. Finally, the credit rating allows the Bank to reduce the cost of funding as it consolidates over time; consequently, the continuous improvement in the credit rating gives it access to resources on increasingly favorable terms in the capital markets, which increases its capacity to pass this benefit on to the borrowing countries.

Figure 5

Pillars of CABEI's Financial Strategy

Capitalization

1. Sustainable Profits Generation
2. Capitalization processes
3. Incorporation of new partners
4. Capital Administration

Balance Administration

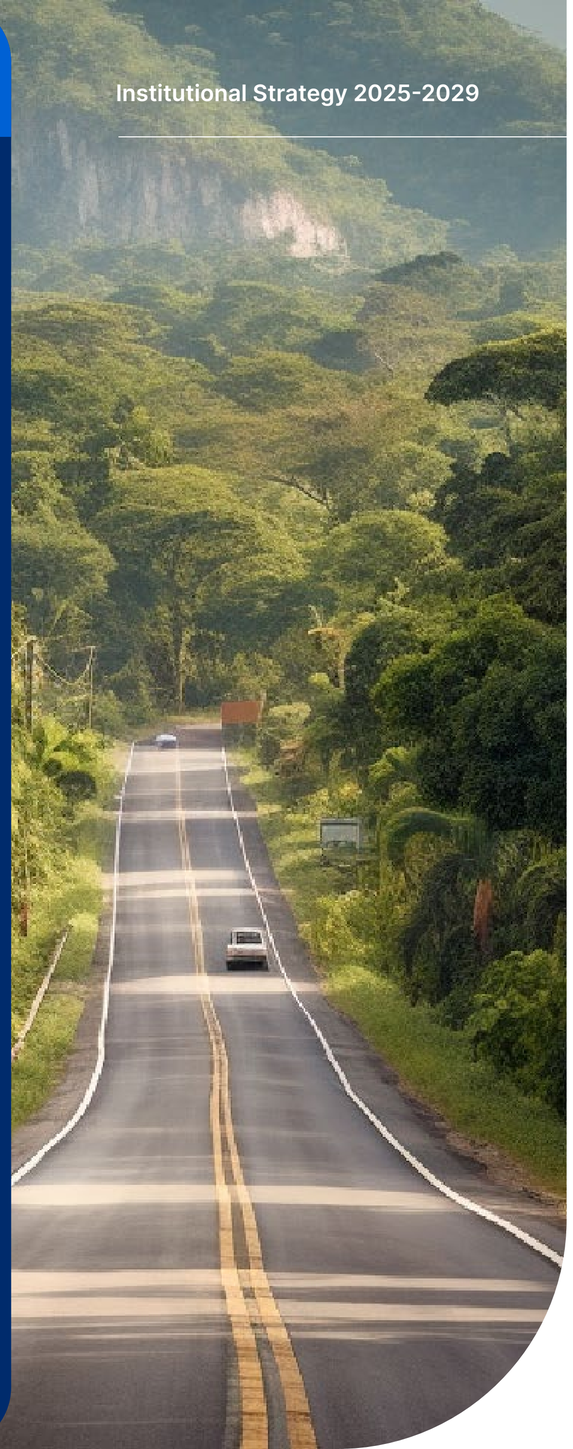
1. Asset and liability management
2. Operational efficiency
3. Investment Administration
4. Financial Innovation

Fundraising and financial intermediation

1. Market resources
2. Bilateral financing and co-financing.
3. Allocation of resources
4. Determination of active financial conditions
5. Integration of ESG aspects

Risk Rating

The above aspects should be reflected in a strong credit rating that in turn facilitates access to financial resources under the best possible financial conditions.



6 Financial Capacity

It should be noted that as part of the efficient management of its capital, the Bank will seek to optimize its Balance Sheet through measures that allow it to release capital to increase its lending capacity and keep up a sustainable financial profile, including those mechanisms framed in the Capital Adequacy Frameworks (CAFs) of the MDBs, promoted by the G-20.

CABEI expects an average level of approvals of US$3,153 million and average disbursements of US$2,253 million during the five-year period.

Thus, the implementation of the Institutional Strategy would result in average portfolio growth of between 5.5% and 6.5%.



Table 1 Financial projection of the Institutional Strategy (US$ millions)

Concept	2025	2026	2027	2028	2029	Cumulative 2025-2029	Average 2025-2029
Approvals	2,008	3,056	3,387	3,536	3,776	15,763	3,153
Disbursements	1,898	2,160	,255	2,380	2,570	11,263	2,253
Net Cash Flow	652	720	850	950	1,010	4,182	836
Loan Portfolio Growth							5.5% - 6.5%

7

OUTREACH STRATEGY AND NON-REGIONAL ALLIANCES

A critical element for the achievement of institutional objectives is to have strategic allies and counterparts that can support, complement and deepen impacts in the region.

CABEI has offices in different geographic areas, where it is possible to find the knowledge, experience and resources to manage and execute programs in all dimensions of development within the framework of each of the pillars and strategic objectives to meet the countries' current needs.

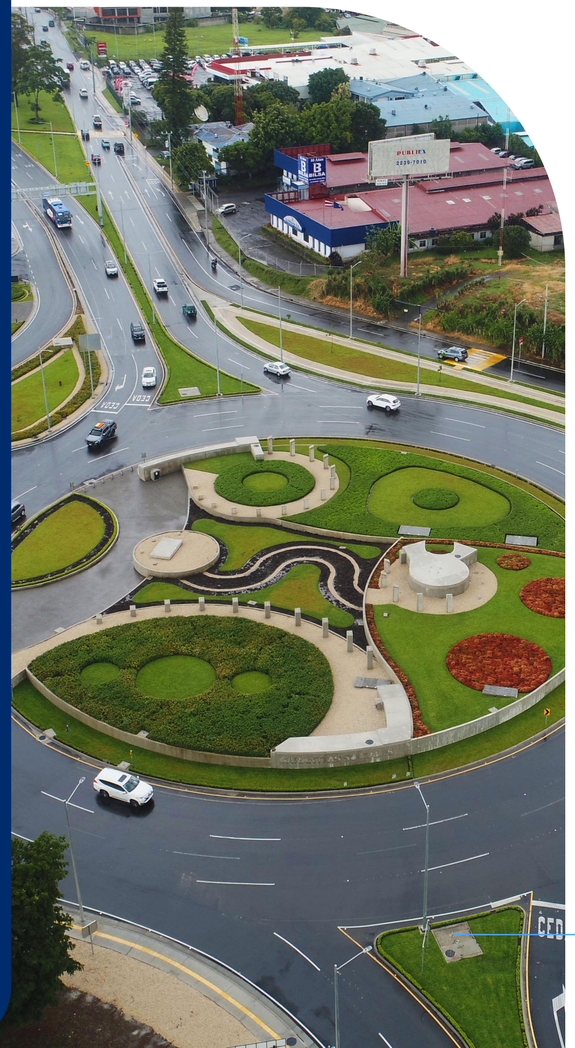
The non-regional offices have the capacity to identify opportunities that add strategic allies and partners to accompany and strengthen the initiatives implemented by the Bank.



The fundamental purpose is to increase the availability of technical and financial resources available to meet the greatest possible number of operations. The goal is for the counterparts to identify CABEI as the ideal partner for channeling and implementing their resources in the region. Some examples of the alliances and objectives pursued by the non-regional offices are as follows:

- Technical cooperation programs for pre-investment projects. Includes the formulation and development of such projects so that, with resources from third parties, the resources available from the Bank can be complemented.
- Obtaining resources for the development and implementation of social, educational and training programs. Seeking support from foundations, cooperation agencies, development banks, etc.
- Formulation and management of a portfolio of counterparts that can co-finance investment projects. The purpose is to manage the participation of other institutions, maximizing the available resources.
- Active promotion of investment projects financed by CABEI. It is important to encourage the participation of international companies in the member countries' bidding contests.
- Position and represent CABEI before the different agents, entities, organizations and countries. Be the ideal bridge and partner to develop cooperation, investment and support activities in critical issues for the region.

8 STRATEGIC RISK MANAGEMENT MECHANISMS



CABEI faces different vulnerabilities derived from diverse regional conditions

These include variations in fiscal deficit levels, changes in countries' priorities due to government transitions and member countries' indebtedness conditions. The region is also particularly susceptible to extreme natural events, such as hurricanes, droughts and floods, factors that have become more relevant to the Bank's strategic vision. In response to these challenges, CABEI has intensified its focus on the management of strategic risks that could significantly impact the achievement of its objectives.

The Bank adopted a Strategic Risk Management Model in 2022 through the approval of the Policy for Strategic Risk Management. The Model takes as reference relevant aspects of the COSO ERM Framework, the ISO 31000:2018 (Risk Management) Regulation and the Three Lines Model. It also strengthened the risk identification, monitoring and follow-up mechanisms in which guidelines and tools are established for effective risk management.

The application and monitoring of the tools defined by the Bank require that Strategic Risk Assessments (SRA) be carried out. The purpose of these assessments is to identify potential risks that may affect the achievement of the Institutional Strategy and its objectives in its different stages, as well as to focus the Bank's actions on the management of its main risks. By virtue of the foregoing, the identification and updating of strategic risks is carried out in accordance with the current methodology based on best practices, which considers the following components:

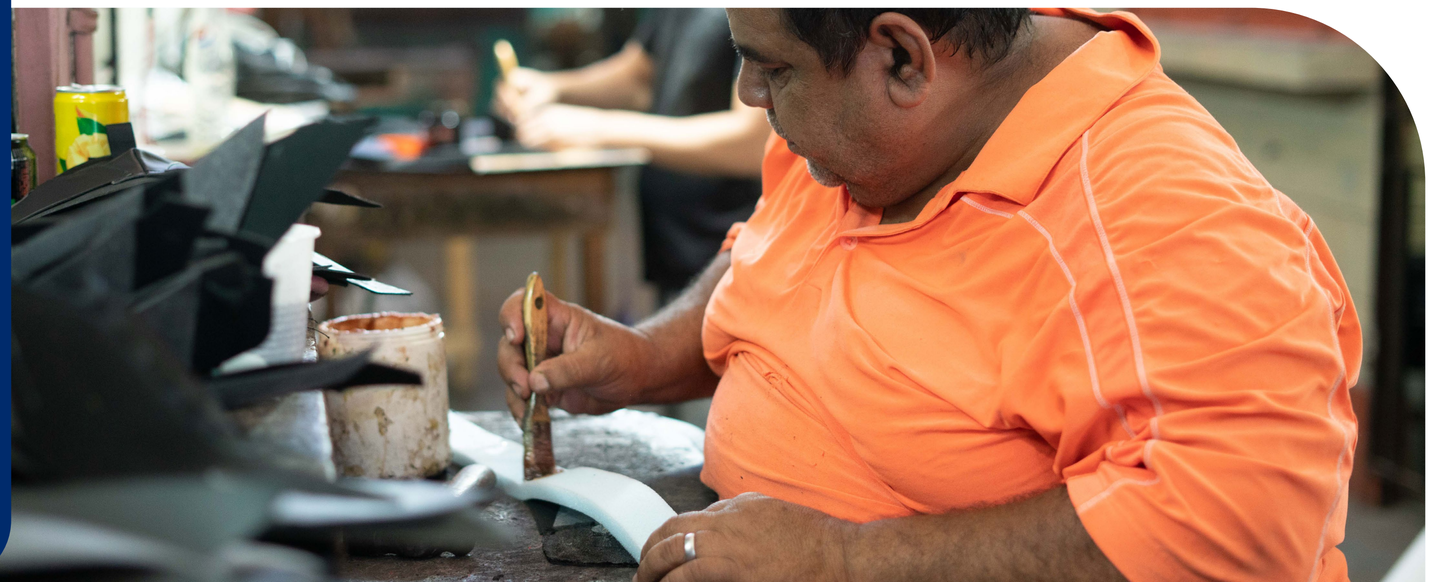
1. **Governance and culture:** governance establishes the oversight responsibilities for risk management; culture refers to ethical values, desired behaviors and understanding of risk and its importance across the organization.
2. **Strategy and objectives:** risk management takes into account the strategy and its objectives, establishing a risk appetite in line with the strategy.
3. **Performance:** risks that may affect the achievement of the strategy and its objectives must be identified, analyzed, assessed and treated, considering factors internal and external to the organization.
4. **Review and Monitoring:** the organization evaluates how well the components of strategic risk management are working over time, and what revisions are necessary to maintain the proper functioning of these components.
5. **Information, Communication and Reporting:** strategic risk management requires a continuous process for obtaining and sharing the necessary information, both from internal and external sources, and flowing throughout the organization.

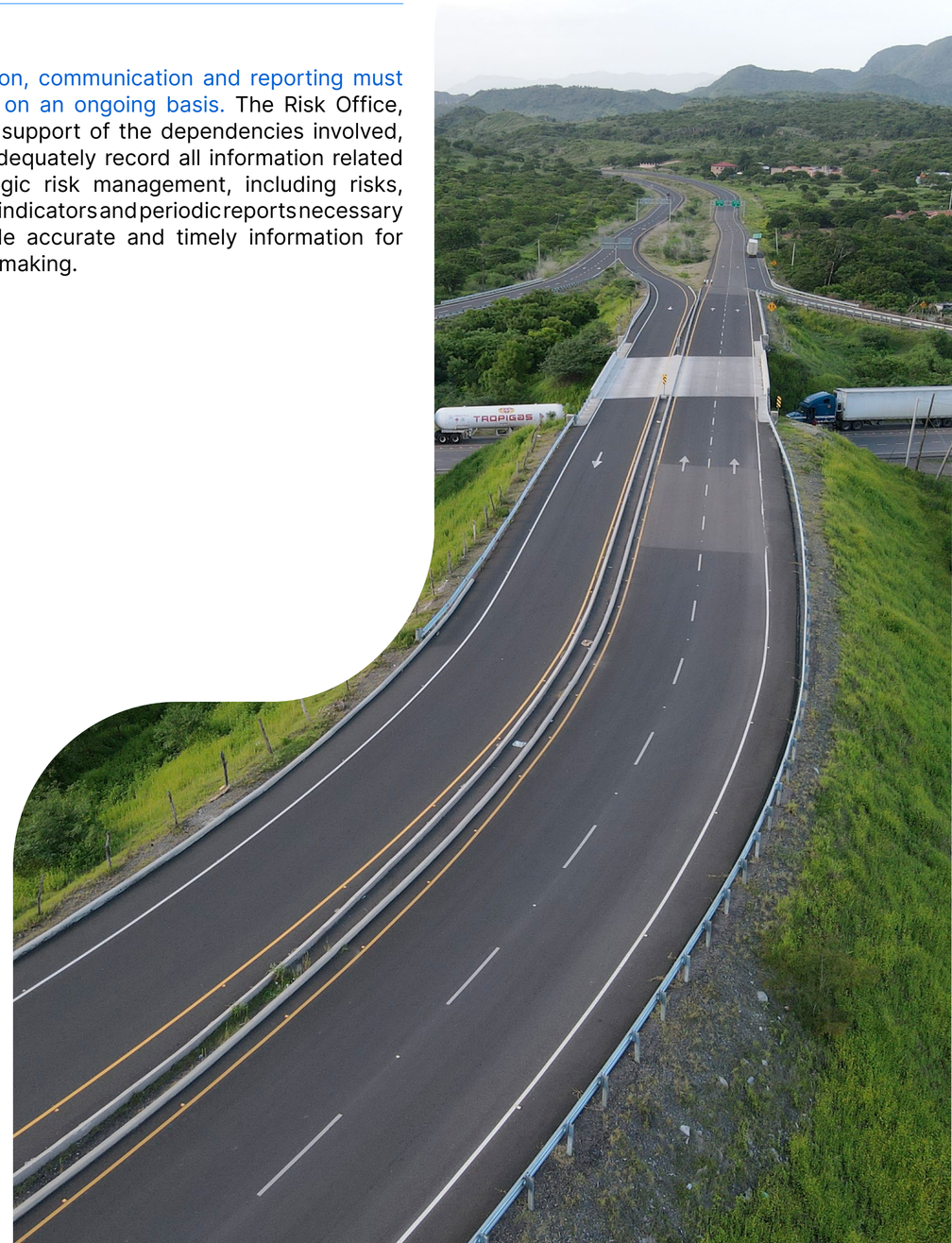
For the application of the methodology and as part of the component, the Bank started with a Strategic Risk Perception Consultation with Key Personnel. Having identified the main challenges, the Administration will proceed with the following stages of the methodology. Risk assessment activities will be carried out, considering probability and impact criteria, as well as the definition of the treatment of the identified risks. This will include the identification and evaluation of various control measures by the Administration, which will make it possible to establish the Institutional Strategic Risk Profile. Also, when necessary, Key Risk Indicators will be identified and specific Action Plans will be developed to mitigate risks in a timely manner.

The results of the strategic risk exercise will be reflected in the Strategic Risk Matrix (SRM). The Matrix will include the main risks that could affect the fulfillment of the strategic objectives and the Institutional Strategy, the Inherent Risk Map, controls and mitigation measures, as well as the Residual Risk Map. These results will also be integrated into the Strategic Risk Management Report.

The review and monitoring of risks will be carried out periodically. The Risk Office will carry out continuous monitoring of the strategic risk management process, in accordance with the established periodicity and in line with current regulations. This will include monitoring changes in the internal environment, monitoring the Key Risk Indicators and action plans, as well as updating the Institutional Strategic Risk Profile.

Information, communication and reporting must be done on an ongoing basis. The Risk Office, with the support of the dependencies involved, should adequately record all information related to strategic risk management, including risks, controls, indicators and periodic reports necessary to provide accurate and timely information for decision making.







9 OPERATIONALIZATION OF THE INSTITUTIONAL STRATEGY

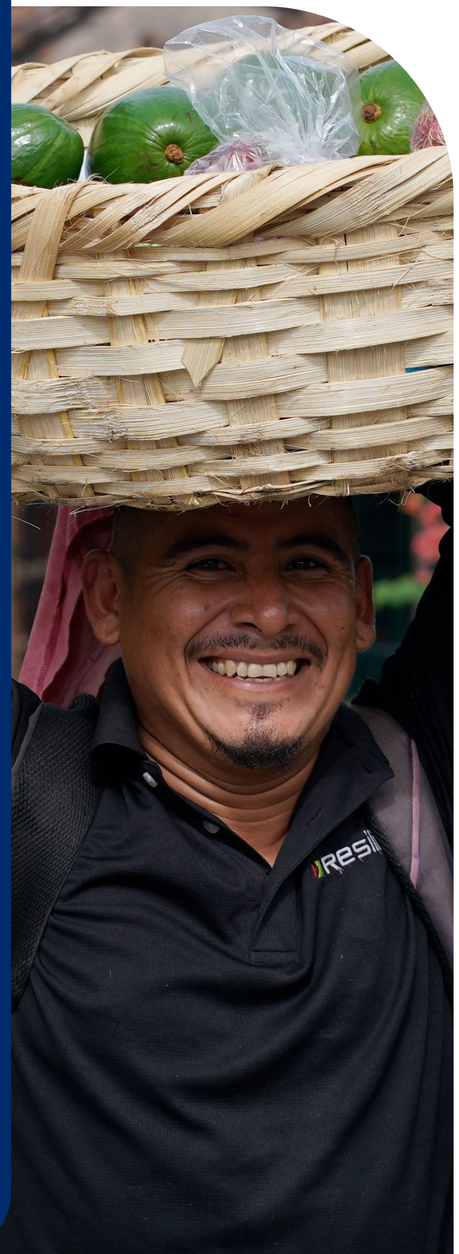
MONITORING AND EVALUATION MECHANISM

CABEI measures the effectiveness of the strategic offer that has been included in its Institutional Strategy through a monitoring and evaluation scheme. Given the scope and relevance of the 2025-2029 strategic commitment for member countries, CABEI has implemented a new Corporate Results Framework (CRF) to measure its effectiveness. To this end, it evaluates its strategic objectives and enablers based on relevant indicators and targets that reflect the magnitude of the expected results of its institutional activities, in line with available resources. In a complementary manner to the CRF, the results of monitoring and evaluation are complemented externally, through evaluations of the Bank's operations; while internally, through the monitoring of the initiatives programmed in the operational plans that the Bank executes during the five-year period.

The Corporate Results Framework integrates the monitoring of institutional management and the results of the operations financed by CABEI. The Bank will develop a monitoring and evaluation document for the Institutional Strategy that seeks to comprehensively measure the performance of the Bank's management and the results of its operations. First, through management indicators that measure the Bank's performance in key areas for institutional transformation. Secondly, through result indicators of the operations financed, for which the Bank will strengthen its measurement tools, aligning them to international metrics such as, the Global Competitiveness Index (GCI), the Social Progress Index (SPI), and the Environmental Performance Index (EPI), which will facilitate the measurement of progress in the economic, environmental and social dimensions, during the execution of the Strategy..

The monitoring and evaluation scheme facilitates the alignment of institutional management with the objectives set. This scheme is a governance tool that guides the prioritization of efforts towards the goals that have the greatest impact on the achievement of objectives. For this reason, the Bank incorporates this scheme within its institutional performance management system, aligning the corresponding regulations with the incentives applicable to human talent management.





10 CABEI AS AN ENGINE OF POSITIVE TRANSFORMATION

Our countries are moving forward in a complex and changing world in which phenomena such as global warming and accelerated technological change threaten to aggravate the existing gaps in the region in terms of productivity, infrastructure, well-being and social equity, which affect the quality of life of the population, especially the most vulnerable. In this context, it is imperative to move towards productive and social structures characterized by the creation of value through knowledge, technology and developed human capital, all in an environment of environmental sustainability.

With the implementation of the Institutional Strategy 2025-2029, CABEI seeks to become the driving force behind the region's positive transformation. To this end, the Bank carries out each of its activities in accordance with the values of integrity, respect, transparency and excellence, while adopting the purpose of creating opportunities that raise the quality of life for all. CABEI's Strategy is based on four pillars and sixteen strategic and enabling objectives that guide the prioritization of the Bank's operations and actions to provide financial solutions that promote competitiveness, social progress and environmental sustainability in its countries.

With regard to our countries, the Positive Impact Pillar is aimed at promoting programs and projects, with innovative financing instruments and tools, in areas such as infrastructure, transportation, water and sanitation, energy, health and education, which favor the construction of more balanced, more developed and more biodiverse societies, facilitating the countries' progress toward a state of inclusive social progress. Likewise, the High Impact Finance Pillar is aimed at maintaining a solid financial profile that allows us to optimize our capacity to offer financial solutions under the best possible conditions, as well as to manage thematic and complementary resources for the benefit of the population of our countries.

Internally, the Transparency Pillar promotes institutional efforts to generate relevant knowledge about the results of the operations financed by the Bank and the other activities it carries out, both for stakeholders and the population of the member countries. Meanwhile, the Operational Excellence Pillar provides guidelines to provide CABEI with a culture of technical rigor, innovation and Digital Transformation, among others, to optimize its resources and capacities towards its consolidation as the **engine of positive transformation.**


BCIE