PUBLIC DISCLOSURE AUTHORISED

CARIBBEAN DEVELOPMENT BANK

TWO HUNDRED AND NINETY-EIGHTH MEETING OF THE BOARD OF DIRECTORS

TO BE HELD IN THE TURKS AND CAICOS ISLANDS

JUNE 13, 2022

PAPER BD 52/22
PAPER BD 52/22 Corr.1

SECOND LINE OF CREDIT CORPORACION INTERAMERICANA PARA EL FINANCIAMIENTO DE INFRAESTRUCTURA, S.A. – REGIONAL

(President's Recommendation No. 1022)

The attached Report appraises a proposal for a second line of credit to the Corporación Interamericana para el Financiamiento de Infraestructura, S.A. (CIFI), of an amount not exceeding the equivalent of eight million six hundred and thirty thousand United States dollars (USD8.63 mn), to assist CIFI to expand its lending programme in the Borrowing Member Countries (BMCs) of the Caribbean Development Bank (CDB). CIFI specialises in financing small and medium size private sector lead infrastructure and energy projects in Latin America and the Caribbean region.

2. On the basis of the Report, I recommend a loan to CIFI of an amount not exceeding the equivalent of eight million six hundred and thirty thousand United States dollars (USD8.63 mn) from the Ordinary Capital Resources of CDB on the terms and conditions set out and referred to in Chapter 6 of the attached Report.

3. Funds are available within CDB's existing resources and/or borrowing programme for the relevant disbursement period.

PUBLIC DISCLOSURE AUTHORISED

CARIBBEAN DEVELOPMENT BANK

APPRAISAL REPORT

SECOND LINE OF CREDIT CORPORACION INTERAMERICANA PARA EL FINANCIAMIENTO DE INFRAESTRUCTURA, S.A. – REGIONAL

Considered at the Two Hundred and Ninety-Eighth Meeting of the Board of Directors held in the Turks and Caicos Islands, June 13, 2022.

(BD 52/22 and BD 52/22 Corr.1)
AR 22/8

Director *Projects Department*	*Mr. Daniel M. Best*
Head *Private Sector Division*	*Mr. Miguel Almeyda*

JUNE 2022

This Report was prepared by an Appraisal Team comprising:

Cavon White, Operations Officer, Analyst (Coordinator); Dave Waithe, Senior Legal Counsel; Tommy Descartes, Economist; Khaliqa Mohammed, Environmental Sustainability Analyst; Lavern Louard-Greaves, Social Analyst; Jessica Harris, Gender Specialist; Leighton Waterman, Sustainable Energy Specialist; Guillermo Aguilar Rios, Consultant; and Sonia Harrison, Coordinating Secretary.

CURRENCY EQUIVALENT

[Dollars ($) throughout refer to United Stated Dollars (USD) unless otherwise stated].

ABBREVIATIONS

ALCO	-	Asset/Liability Committee
AML/CFT	-	Anti-money Laundering and Combatting the Financing of Terrorism
BMC	-	Borrowing Member Country
bn	-	billion
BOD	-	Board of Directors
CAO	-	Compliance Advisor Ombudsman
CAPDR	-	Central America, Panama and the Dominican Republic
CAR	-	Capital Adequacy Ratio
CARICOM	-	Caribbean Community
CARIFORUM	-	Caribbean Forum
CDB	-	Caribbean Development Bank
CEO	-	Chief Executive Officer
CIFI	-	Corporación Interamericana para el Financiamiento de Infraestructura, S.A.
CLP	-	Contingency Liquidity Plan
CRRS	-	Credit Risk Rating System
DFI	-	Development Finance Institution
DSCR	-	Debt Service Coverage Ratio
E&S	-	Environmental and Social
ECLAC	-	Economic Commission for Latin America and the Caribbean
EP	-	Equator Principles
EPA	-	Environmental Protection Agency
ESG	-	Environmental and Social Governance
ESMS	-	Environmental and Social Management System
ESP	-	Environmental and Social Policy
ESRP	-	Environmental and Social Review Procedures
ESSP	-	Environmental and Social Safeguards Policy
EU	-	European Union
FDI	-	Foreign Direct Investment
FI	-	Financial Institution
FX	-	Foreign Exchange
FY	-	Financial Year
GDP	-	Gross Domestic Product
GM	-	Gender Marker/Mainstreamed
IAS	-	International Accounting Standards
ICA	-	Integrity Compliance and Accountability
IFC	-	International Finance Corporation
IFRS	-	International Financial Reporting Standards
ILO	-	International Labour Organisation
IMF	-	International Monetary Fund
LAC	-	Latin America and the Caribbean
LIBOR	-	London Interbank Offered Rate
LOC	-	Line of Credit
MIS	-	Management Information System

ABBREVIATIONS CONT'D

mn	-	million
MSE	-	Micro and Small Enterprise
MSME	-	Micro, Small and Medium-sized Enterprise
NBFI	-	Non-bank Financial Institution
NDS	-	National Development Strategy
NPL	-	Non-performing Loan
OCR	-	Ordinary Capital Resources
p.a.	-	per annum
PCR	-	Project Completion Report
PLW	-	Project Launch Workshop
PPP	-	Public-Private Partnership
PSD	-	Private Sector Division
PSDPS	-	Private Sector Development Policy and Strategy
PSDU	-	Private Sector Development Unit
ROA	-	Return on Average Assets
ROE	-	Return on Equity
SDG	-	Sustainable Development Goal
SFR	-	Special Funds Resources
SME	-	Small and Medium-sized Enterprise
UNECLAC		The United Nations Economic Commission for Latin America and the Caribbean
US/USA	-	United States of America
USD	-	United States dollar
WB	-	World Bank

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APPENDICES

(All Appendices refer to CIFI unless otherwise stated.)

PROJECT SUMMARY AND LOAN RISK

Financial Terms and Conditions	
Borrower	Corporación Interamericana para el Financiamiento de Infraestructura, S.A.
Disbursement Period	December 31, 2022, to December 31, 2024
Sector Code	24030 Financial Intermediaries

Fund	Fund Source	Amount	Amortisation Period (Years)	Grace Period (Years)	Interest Rate (%)	Commitment Fee (%)
Loan: OCR-USD	Equity and Market	8,250,000	5	-	3.6 variable	0.25
Loan Total		8,250,000				
Total Project Cost:		8,250,000				

Office of Risk Management (ORM) Commentary

This information is withheld in accordance with one or more of the exceptions to disclosure under the Bank's Information Disclosure Policy.

Project Outcome and Description:

The expected outcome of the project is increased access to financial resources to support private sector driven investment in green, inclusive, climate-resilient infrastructure in CDB's BMCs.

The project is a $8.25 mn Line of Credit (LOC) to CIFI.

Gender Marker

	Analysis	Design	Implementation	Monitoring and Evaluation	Score	Code
Gender Marker (GM)	1.0	0.5	0	0.5	2	MM[1/]

Further details of the Gender Marker Analysis for this project are outlined at Appendix 1.1.

[1/] Marginally Mainstreamed: the project has limited potential to contribute to gender equality.

1. INTRODUCTION

LOAN REQUEST

1.01 In January 2022, CIFI, a regional development financial institution (DFI) located in Panama City, and an existing client of CDB, requested a Line of Credit (LOC) in the amount of $8.25.0 mn for providing financing to private sector energy and infrastructure projects in the BMCs.

RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

Overview

1.02 In 2021, the Region witnessed a nascent recovery, even while grappling with the evolving health and economic crisis brought about by the 2019 Novel Coronavirus (severe acute respiratory syndrome [SARS]-CoV-2) (COVID-19). Several BMCs encountered sporadic surges in infections and the entry of more virulent and transmissible strains of the virus. At year end, a total of 446,655 cases were confirmed in BMCs, with 10,782 succumbing to the virus[2/]. Although nowhere near pre-pandemic levels, CDB estimates that the Region grew by 3.1% in 2021, with service and commodity exporters growing by 3.3% and 2.7% respectively. This rebound is due in part to the gradual easing of COVID-19 lockdown measures and the continued rollout of fiscal stimulus packages, which prompted an increase in domestic demand. At the same time, the safe reopening of borders to international travel facilitated a modest, albeit, fragile return of tourist arrivals, underpinned by pent-up demand and increased immunisation rates in main source markets. Growth in 2022, is expected to gain momentum, growing at around 9.7%, resembling a two-speed recovery with service exporting BMCs is forecasted to grow by 4.8%, while commodity exporters are set to experience an expansion in economic activity of 17.5%. This reflects strong growth of 47.5% for Guyana associated with increase crude oil production and higher international oil prices. This forecast, however, is shrouded by significant downside risk, including, rising interest rates, higher inflation, the effects of a protracted conflict between Russia and Ukraine on the global economy and the continued impact of COVID-19.

1.03 Following unprecedented fiscal deterioration in 2020 in the face of spiralling health and social protection expenditures, most BMCs have now recorded improvements in their fiscal position, evident by an average fiscal surplus of 4.2% of GDP registered in 2021 when juxtaposed with a deficit of 2.1% for the year before. This was made possible by the partial recovery in economic activity in 2021 across the Region, which resulted in increased tax revenue. Average public debt as a percentage of GDP which rose to 82.5% in 2020 fell by 2.2 percentage points in 2021 to 80.3% reflecting in large measure the higher nominal GDP. Countries are now contending with the trade-off between mounting debt and rising inflation against a premature withdrawal of economic relief support. The increased pressure on budget resources also raises concerns about BMCs' ability to finance their respective development priorities sustainably in the near-term.

[2/] World Health Organization: WHO Coronavirus (COVID-19) Dashboard | WHO Coronavirus (COVID-19) Dashboard With Vaccination Data

1.04 As the world emerges from the pandemic, there is the expectation that the recovery should be green, inclusive, climate-resilient and should generate decent-paying jobs. The pandemic has exposed much of the inequalities which abounded prior, not least, the stark infrastructural and investment deficit that persists in BMCs; a region that is already disproportionately impacted by climate change. Results from a study commissioned by CDB in 2014 found an infrastructure deficit of $21.6 billion (bn) for the period 2015-2025, in critical areas of renewable energy (RE), telecommunications, transport, water and sanitation. The study further highlighted that in a business-as-usual scenario, BMCs would only be able to finance $10.8 bn, given their fiscal constraints, leaving a gap of $10.6 bn[3/]. Gross investment, as a share of GDP for BMCs, which has historically been below other developing regions is estimated at 21.4% for the period 2021-2025, compared with the global average of 27.5%[4/]. This highlights the structural investment deficit in the Region, which is exacerbated by the lack of sophistication of the financial systems and the difficulties BMCs encounter in accessing international financial markets at concessional rates. This gap is expected to widen, given the adverse effect of the pandemic on BMCs' fiscal accounts. It therefore underscores the need to urgently ramp up investment in regional infrastructure of the right scale, scope, and quality. To do so, the Region must find innovative means to mobilise and crowd in private sector investment resources to close this funding gap. CIFI, with its vast experience in financing infrastructure projects in Latin America and the Caribbean (LAC), is well placed to address part of the infrastructure deficit in many BMCs.

SOCIAL/GENDER CONTEXT

1.05 Between September and early October of 2021, COVID-19 infection rates in the Caribbean increased above that of Latin America, Canada, and the U.S.A. The infection rates range between 200 to 300 per mn. Mortality rates associated with the pandemic averaged 7 per day per mn, with rates in countries such as Suriname and Grenada peaking at 170 per mn in September as compared to 4 and 2 per day per mn in North America and Latin America, respectively. These figures perhaps reflect a nexus between vaccination rates and rates of infection in these countries. While showing variations, with some countries having vaccinated more than 50% of their populations and others averaging around 25%, vaccination rates in some Caribbean territories remained particularly low with an average rate of 30%. Overall, these vaccination rates remained lower than in Latin America which averages 43% and lower than the 58% recorded in North America[5/]. Initial data on the pandemic suggests that higher rates of infections are more evident where there is a lower rate of vaccination. As such, favourable management of the COVID-19 pandemic to further reduce its spread and the severity of the impact on individuals and key sectors, remain a critical element of any recovery process and is necessary for sustainable development efforts to be successful in the Caribbean region.

1.06 Prior to the pandemic, the development landscape and transformation process in BMCs were particularly complex, especially considering multiple and persistent vulnerabilities. The vulnerabilities from the effects of the economic downturn experienced between 2008 and 2009 as well as the multiple hazards which small vulnerable states face have had a protracted effect on the social and economic fabric of the countries. These impacts have affected women, seniors, youth, indigenous populations, and persons with disabilities the most. In addition, unemployment, increasing numbers of people opting out of the labour market and the decline of participation rates in the BMCs are persistent features of the labour market, according to the International Labour Organisation (ILO). ILO further indicated that upwards of 15% of the BMCs labour force and 40% of youths, were unemployed in the period just prior to the onset of COVID-19, with clear indications of job destruction associated with the pandemic. Participation rates for women for example, are recorded at the lowest they have been in over 15 years. The story is similar for young

[3/] Source: CDB 2014, Public-Private Partnerships in the Caribbean: Building on Early Lessons.
[4/] IMF World Economic Outlook October 2021.
[5/] Sources: Johns Hopkins University via Our World in Data (Figures 1 and 2); World Health Organisation (WHO) (Figure 3); Pan American Health Organisation (PAHO) (Figure 4); Our World in Data (Figure 5); WHO and PAHO (Figure 6).

people as well as people in the low skills categories. Wage employment loss was concentrated in the private sector with public sector employment only dipping slightly. Gains in recouping lost jobs, however, are noticeable mainly in the informal sector. According to ILO the informal sector accounts for up to 70% of the jobs generated in LAC between the third quarter of 2020 and the first quarter of 2021. Jobs in the informal sector are unstable, and without social protection, attract low wages which to some extent underwrite the levels of inequality and vulnerability experienced. This suggests that the progress made in reducing the number of people classified as the working poor has been stymied as more employed persons sink below the poverty line. Any rebound in employment both in quantity and quality necessitates jump-starting growth in the private sector. The economic recovery will be swifter and less fragile when there is strong fiscal and financial support at all levels.

ISSUES AND CHALLENGES

1.07 Developing green, inclusive, climate-resilient productive infrastructure enhances a country's productivity and promotes sustainable development. It also enhances the efficiency of production, transportation, and communication, and help provide economic incentives for private sector participation[6/]. Infrastructure investment needs across the BMCs are significant, with many governments increasingly turning to the private sector to meet those needs, primarily through public private partnerships (PPPs). This approach is driven by a combination of tight fiscal constraints, and a growing appreciation of the role of the private sector in delivering public services[7/]. Even as governments and development partners have worked to advance the governance and regulatory environment required to increase private sector investment in infrastructure in many of CDB's BMCs, the following challenges continue to constrain the availability of finance to underwrite regional infrastructure projects:

(a) Limited access to global capital markets - private Financial Intermediaries are reluctant to take on small country exposure, given the cost of administering and monitoring relatively small financial transactions[8/].

(b) Limited opportunities for scale - the average PPP project size at the country level in the Caribbean is under $100 mn - small by international standards. This small scale limits the marketability of potential PPP projects especially in the smaller economies of the Region.

(c) The public and private financing available at the country level is not sufficient to address the growing infrastructure needs, especially within the context of COVID-19.

(d) Many stakeholders in the local commercial landscape, for example commercial banks, are not willing to take on the risks associated with financing small and medium-sized infrastructure projects.

(e) The financial sector in many BMCs is generally dominated by banks and insurance companies that have shorter lending horizons relative to infrastructure investment. This therefore limits the availability of financing for infrastructure in the Region.

[6/] Caribbean Development Bank () Public-Private Partnerships in the Caribbean: Building on Early Lessons; Normaz Ismail, W. and Mahyideen, J. (2015) The Impact of Infrastructure on Trade and Economic Growth in Selected Economies in Asia Jamilah, Asian Development Bank Working Paper Series.

[7/] World Bank Group (2014) Caribbean Infrastructure PPP Roadmap.

[8/] Alleyne and others 2017; IMF 2013b, 2014A

LINKAGE OF PROJECT TO CDB's SECTOR STRATEGIES AND POVERTY GOALS

1.08 CDB's Private Sector Development Policy and Strategy (PSDPS) states that the development and transformation of the private sector is an essential pillar for achieving sustained economic growth and poverty reduction throughout CDB's BMCs. It is expected that an enhanced investment in infrastructure projects across BMCs, will provide improved services to businesses, create quality jobs for a growing working population, generate income and supply and expand the range of quality goods and services at competitive prices.

1.09 In this context, PSDPS aims, among other objectives, to:

(a) improve private sector operations by enhancing the inclusiveness and accessibility of finance;

(b) foster the development of private sector organisations along with capital and financial market institutions, which encourage inclusive private sector development; and

(c) increase the flow of direct long-term loans to private enterprises in BMCs, including private infrastructure providers, especially in RE.

1.10 The proposed project is consistent with CDB's Guidelines for Lending to Private Sector Financial Intermediaries and with the Gender Equality Policy and Operational Strategy 2019, with the external Pillar 2 focus on economic It is also directly linked with several Sustainable Development Goals (SDGs)[9/] core themes such as Clean Water and Sanitation (SDG-6), Affordable and Clean Energy (SDG-7), Decent Work and Economic Growth (SDG-8), and Industry, Innovation and Infrastructure (SDG-9). The project is also indirectly related to several other development goals such as SDG-11 on achieving sustainable cities and communities and contributes to SDG-13 on climate change action and SDG-5 on gender equality and women's empowerment.

2. REVIEW OF THE OPERATIONS OF INSTITUTION

BACKGROUND

Institution

2.01 CIFI was incorporated in 2001 in Costa Rica and commenced business operations by July 2002 in Washington, D.C. with the support of multilateral and regional commercial banks interested in financing the infrastructure sector. CIFI specialises in financing small and medium infrastructure in the LAC region and provides dedicated services for the structuring and financing of projects, concessions and infrastructure services to the private sector. CIFI's mandate is to fill the gaps not covered by the commercial financial sector as local banks are hesitant to channel investment into such projects and, international institutions do not consider Middle Markets[10/] profitable.

[9/] https://sdgs.un.org/goals

[10/] Middle market banking is the concept of providing investment banking services to small and medium companies. The mid-range size of these clients forces bankers to specialise in certain niches. This category encompasses projects between $7 mn - $200 mn.

2.02 In 2016, CIFI moved its headquarters to Panama City. This move allowed the Corporation to be closer to its core business, in an enclave that is more ideal to facilitate regional projects, initiate its funding diversification via regional capital markets and engage regional institutional investors.

2.03 CIFI counts among its shareholders two major commercial banks (Caixa Banco Investimento and Banco Pichincha), CDB and two investment funds (Norwegian Investment Fund for Developing Countries and Finnish Fund for Industrial Cooperation), as shown in Table 2.1. The book values of the shares reflect significant appreciation in value over the original investment.

TABLE 2.1: CIFI's OWNERSHIP STRUCTURE AS OF FEBRUARY 18, 2022

Owner	**Acquired Capital USD**	**Ownership %**
Norwegian Investment Fund for Developing Countries	17,263,819	34.30
Valora Holdings, S.A.	16,531,282	32.85
Caixa Banco de Investimento, S.A.	6,122,697	12.17
CDB	3,673,618	7.30
Finish Fund for Industrial Cooperation, Ltd.	3,673,618	7.30
Banco Pichincha, C.A.	3,061,349	6.08
Total Ordinary Shares	**50,326,383**	**100.00**

2.04 In June 2019, Valora Holdings, S.A., a Panamanian corporation was created by the senior management team of CIFI, exclusively to fully purchase the ownership interest of Banistmo, S.A., and of the International Finance Corporation (IFC) in shares of the Corporation, resulting in an aggregate ownership interest of 32.85%. For additional information on CIFI's ownership structure see paragraph 5.04.

INSTITUTIONAL ASSESSMENT

2.05 The due diligence process confirmed that CIFI's overall institutional capacity including its integrity compliance and accountability framework, governance arrangements, policies and procedures, management and staffing, and IT architecture are sufficient and appropriate to carry out its mandate, the efficient administration of its operations and the proposed second LOC from CDB. A brief overview of the governance structure of CIFI is provided below.

Integrity Compliance and Accountability

2.06 Pursuant to CDB's Integrity, Compliance and Accountability policies and procedures, an internal integrity due diligence exercise was conducted. This due diligence considered (a) institutional integrity; (b) ethics; (c) whistleblowing; (d) compliance with international standards for anti-money laundering/combating of terrorist financing (AML/CFT) and monitoring of financial sanctions; and (e) accountability, including a project complaints mechanism to receive and help to resolve concerns related to adverse environmental and social impacts from projects financed by the Bank. CDB finds that currently there are no significant integrity, compliance, and accountability issues. To actively mitigate integrity risks material to the project and reputational risks to CDB, the project's supervisor in conjunction with the Office of Integrity, Compliance and Accountability (ICA) will perform periodic and event-driven monitoring of CIFI, and a periodic review of CIFI's compliance with relevant covenants in the Bank's Loan Agreement.

Governance

2.07 The Board of Directors (BOD) of CIFI comprises eight (8) members, appointed based on share ownership, with each 10% shareholding allotted one seat on the Board. An independent director has been appointed to represent CDB. The BOD is made up of suitably qualified and experienced persons with a wealth of knowledge in areas such as, capital markets operation, development finance, banking and investments, and audit procedures. Details are provided at Appendix 2.1. The BOD's primary role is to provide effective oversight over CIFI's affairs and to protect the interests of all stakeholders. It also oversees the Company's ethical culture, and the performance of the Company's executive officers and its business.

2.08 In the execution of its mandate, the BOD is assisted by several committees. The Audit Committee provides oversight of CIFI's financial statements integrity, accounting standards and compliance with the legal and regulatory requirements. The Credit Committee reviews, approves, and oversees the overall lending programme of CIFI within limits established by BOD. The Risk Committee ensures that CIFI's procedures to identify, assess, monitor, and control material business risks are sufficient and effectively implemented. The Committee also reviews, and monitors matters related to the environmental and social responsibility standards and guidelines. The governance framework is further enhanced by the internal audit function and periodic external audits by a reputable international audit firm and ongoing compliance reporting to the Superintendent of Banks of Panama. Based on review of relevant company instruments and documentation CDB staff is satisfied that these committees are effective in assisting BOD in delivering its mandate and that the overall governance framework is in accordance with recognised best practices.

Management and Staffing

2.09 The management team, and its various committees, have the knowledge, discipline, and experience to successfully guide the direction of the Corporation. A profile of the executive management team is provided at Appendix 2.2. CIFI has a staff complement of 34 persons, deemed to be adequate considering the loan portfolio it manages. The four-member management team (25% women) comprises persons of varying academic and work experience in the core areas of credit underwriting, administration and finance.

2.10 The executive management team is supported by two (2) committees: the Asset and Liability Committee (ALCO), and the Procurement Committee. ALCO is guided by established risk policies relating to the management of Interest Rate, Forex, Gap and Liquidity Risks and complies with technical criteria pursuant to good banking practices. The Procurement Committee ensures that the purchasing and contracting activities of CIFI comply with principles of fair competition, non-conflict of interest, cost-effectiveness, and transparency. The functional responsibilities of the respective senior managers can be seen in CIFI's Organisational Chart at Appendix 2.3.

Information Technology Infrastructure

2.11 As part of the expansion of its operations and during the relocation to Panama in 2016, CIFI made a significant investment in upgrading its technological platforms which allows all its employees to work remotely. CIFI's Microsoft-based services are in the cloud and the information is stored in virtual servers. The loan portfolio platform[11/] stores all relevant documentation and delivers real time dashboards and interactive reports for decision takers. For the General Ledger management function, the Corporation uses an Oracle based accounting software[12/]. Both software products operate 100% in the cloud. The overall IT architecture is adequate for CIFI's current needs and to support future growth and development.

[11/] Black Mountain-Allvue

[12/] Netsuite

Operating Policies and Procedures

2.12 CIFI's policies and procedures are well documented, consistent with internationally accepted best practices and allows for clarity and transparency in reporting. These include policies and procedures on lending, approval limits and authority, environmental and social management, and guidelines on financial reporting. CDB finds that these policies are up to date and are subject to periodic review and updating to reflect current best practices and realities in the Company's operating environment and reporting requirements. Additional details of CIFI's operational policies and governance structure are outlined in Appendix 2.4.

HISTORICAL OPERATIONS AND FINANCIAL PERFORMANCE

2.13 This review is based on the audited financial statements for the fiscal years 2017–2021 management reports and related in-house documents as prepared by CIFI. Whilst there was a slowdown in originating and structuring new deals, the COVID-19 pandemic had limited impact on the Company's operational and financial performance. This was largely attributable to the use of technology that facilitated remote working and the implementation of robust contingency measures to minimise negative effects on its portfolio. The contingency measures included a more intense follow-up by the Risk Unit, with customers identified as being "at risk" based on an analysis of country of operations, industry and financial position. In addition, the Corporation activated its Contingency Liquidity Plan (CLP)[13/], which allowed it to fast-track drawdown on its committed facilities, thereby extending its liquidity from six (6) months to one year to cover debt repayments, committed loan disbursements, and operating expenses.

2.14 CIFI continues to follow conservative policies for new loans regarding interest and principal reserve accounts, and sponsor support guarantees. The priority is prudent risk management, adequate levels of risk/return, and sourcing the liquidity needed to support new loan portfolio transactions.

Loan Portfolio Evaluation

2.15 The loan portfolio evaluation is based on Audited Financial Statements for the period ending December 31, 2017, to December 31, 2021. As of December 31, 2021, CIFI's gross loan portfolio amounted to $363.3 mn, a decrease of 8.9% when compared to FY 2020 ($398.8 mn). The decline in FY 2021 and the marginal growth during FY 2020 are reflective of the dampening impact of COVID-19 on demand. The overall quality of the portfolio remained satisfactory, as the non-performing loan (NPL) ratio was 4.9% at December 31, 2021. This is within accepted prudential limit of 5%. During 2018, CIFI replaced its accounting standards with the adoption of IFRS[14/]. One of the most significant changes is the model used for the calculation of 'incurred losses' under previous IAS39 with a forward-looking 'expected credit losses' (ECL) model under IFRS 9[/].

[13/] The CLP mechanism is triggered under certain market conditions: e.g., when there is a possibility that committed funding will be suspended, when access to new funding may be limited, when asset quality could deteriorate, among others.

[14/] https://www.ifrs.org/issued-standards/list-of-standards/ifrs-9-financial-instruments/

2.16 CIFI's gross loan portfolio was distributed across five (5) specific sectors. The distribution of the portfolio as of December 31, 2021, is shown in Table 2.2. Lending for RE/Energy Efficiency (EE) projects account for approximately 50% of the portfolio.

TABLE 2.2: DISTRIBUTION OF LOAN PORTFOLIO AS OF DECEMBER 31, 2021 ($'000)

Sub-sector	Number	Performing	Portfolio >90 days overdue	Net
1. Energy				
RE/EE	29	177,839	0	177,839
Fossil Fuels	1	6,800	0	86,800
Sub-total	30	184,639	0	184,639
2. Infrastructure				
Airports and Seaports	6	41,158	5,885	35,273
Construction and Engineering	4	20,091	2,868	17,223
Roads, Railroads and others	2	19,053	-	19,053
Social Infrastructure	3	15,298	-	15,298
Sub-total	15	95,600	8,753	86,847
3. Telecommunications	6	48,305	-	48,305
4. Tourism	3	21,756	-	21,756
5. Other Investments	8	12,964	8,889	4,075
Total	62	363,264	17,642	345,622

2.17 Approximately 11% of the portfolio is invested in CDB's BMCs across four (4) sectors as shown in the table below, all of which are of high quality.

TABLE 2.3: DISTRIBUTION OF LOAN PORTFOLIO IN BMCS AS OF DECEMBER 31, 2021 ($'000)

Project	Sub-sector	Country	Year	Performing	Non-performing
Santander Amended and Restated	Co-generation (Biomass)	Belize	2014	11,466	0
Kingston Container Terminal	Airports and Seaports	Jamaica	2015	10,181	0
Plexar	Tourism	Belize	2019	6,854	0
Ycacos Beach (Cahabon)[15/]	Real Estate	Belize	2019	10,616	0
Total				**39,117**	**0**

[15/] In December 2019, CIFI granted a new loan with an independent source of payment, as a result of a restructured transaction. Additionally, a tract of land was received in lieu of payment as part of the restructuring and was recorded as investment property.

2.18 The overall quality of the portfolio is satisfactory with total arrears of principal amounting to $33.4 mn or 9.2% of the total loans outstanding. As observed in Table 2.2 above, three (3) overdue loans comprise the Portfolio > 90 days with an outstanding balance totalling $17.6 mn, loans for which CIFI has made its loan loss provision ($4.5 mn as of December 31, 2021). Non-performing Loans ratio, arrears greater than 90 days, was 4.9% at the end of December 2021 (December 2020: 2.6%). Notwithstanding the slight uptick in NPLs, CDB finds CIFI's NPL at the end of December 2021 acceptable. Moreover, according to Fitch Ratings, 'despite the risks still existing in the environment, its impairment metrics for CIFI will remain manageable over the rating horizon'[1]/. CIFI obtains adequate collateral for its loans so as to minimise any losses incurred during the recovery process.

Financial Performance

2.19-2.22

This information is withheld in accordance with one or more of the exceptions to disclosure under the Bank's Information Disclosure Policy.

C-A-M-E-L-S Rating System

2.23 Further analysis of CIFI's performance using the Capital Adequacy, Asset Quality, Management, Earnings, Liquidity and Sensitivity to Market Risk (CAMELS) / methodology based on Audited Financial Statements for FY 2021 is provided at Appendix 2.8 with summary provided below.

Capital Adequacy

2.24 CIFI is a well-capitalised institution with a reasonable debt to equity ratio of 3.1:1 and a Capital Adequacy ratio averaging 16.1% over the reviewed 2017-21 period, and which has remained consistently above the prudential requirement of 8%. The strong earnings performance which increased from $7.8 mn in 2017 to $9.7 mn in 2021, according to the audited financial statements, also contributed to the strong capital position of CIFI. The level of the capital adequacy ratio highlights CIFI's financial strength and solid solvency.

Asset Quality

2.25 A good quality loan portfolio has been the norm at CIFI. Nonetheless, loans and debt securities (assets held-for-sale, for example) are written-off when there is no realistic prospect of recovery but are still subject to enforcement activities. During FY 2021, the write-offs of poorly performing loans amounted to $5.5 mn compared to $13.2 mn during FY 2020. The loan portfolio is assessed to be of good quality with NPLs accounting for 4.9% of the gross loan portfolio as of December 31, 2021, and 2.6% as of December 31, 2020.

Management Quality

2.26 As previously stated, CIFI's management comprises professionals with international experience in the financial sector. The combined solid experience of the management is presented at Appendix 2.2. The BOD along with its sub-committees is made up of suitably qualified and experienced persons. In addition, sound policies and procedures to guide the institution's operations are well established and are reviewed as required.

Earnings

2.27 CIFI has shown profitable operations during the 5-year period observed, with accumulated retained earnings of $58.5 mn at the end of FY 2020 ($54.5 mn at the end of FY 2020). Earnings per share[16/] remained at $0.19 in FY 2021. Furthermore, net income increased from $7.8 mn to $9.7 mn during the same period analysed. Operating income stood at $38.9 mn during FY 2021 ($41.3 mn during FY 2020), consistent with a slightly reduced loan portfolio, while total expenses of CIFI have been kept under control, with an Average Cost of Borrowings of 4.7% (4.7% in FY 2020) and an Administrative Cost/Gross Income ratio of 20.6% (23.0% in FY 2020). NPLs have also been kept at minimum (<5.0%) during the previous years, resulting in a high proportion of interest earning loans.

2.28 CIFI's additional historical financial and operating ratios at Appendix 2.9, show steady improvements over the years. CIFI has maintained a ROA above CDB's 1% benchmark for the last 5 years, with 2.1% in FY 2020 and 2.0% in FY 2021. The definition of the ratios is detailed in Appendix 2.10.

Liquidity

2.29 The liquidity policy of CIFI requires cash availability to meet anticipated contractual obligations and to ensure uninterrupted financial operations of the Corporation while protecting the institution from any negative financial consequence arising from negative changes in market interest rate and liquidity. The liquidity position of CIFI experienced an important increase during the period evaluated, with the cash and cash equivalents at end of FY 2021, amounting $51.6 mn, versus $53.2 mn in FY 2020 and a total current assets figure of $100.3 mn in FY 2021 compared to $79.2 in FY 2020 thanks to the Securitisation scheme[17/] implemented during 2021, amounting to $24.1 mn. The liquidity ratio of 21.2% in FY 2021 (16.4% in FY 2020) provides an indication of the liquidity available to meet expected and unexpected demands for cash during turbulent times. In summary, CIFI has adequate liquidity to settle its current obligations as they become due. According to CDB's analysis, CIFI has complied with its liquidity policies matching its financial asset and liability terms.

2.30 As of December 31, 2021, CIFI maintains undisbursed and available balances of committed credit facilities with financial institutions for $2.1 mn (2020 - $18.0 mn) with tenors at 2022 and 2023. Additionally, CIFI maintains undisbursed and available balances of uncommitted short-term revolving credit facilities with financial institutions for $25.0 mn (2020 - $13.7 mn). On the other hand, as of December 31, 2021, liabilities due in the short-term (<90 days) amount to $18.0 mn ($34.5 mn for FY 2020). During the review period, CIFI had long-term borrowings comprising an existing CDB Loan (8/OR-REG); an additional 10 (ten) loans from other foreign FIs, and five loans from local FIs. At the end of FY 2021, the balance of CIFI's loans payable was $149.4 mn ($159.9 mn FY 2020) complemented by $154.1 mn ($167.7 mn FY 2020) in issued Bonds, $20.2 ($39.7 mn FY 2020) mn in Commercial Paper and $24.1 mn in Securitized Liabilities for a total of $347.8 mn in CIFI's long-term borrowings ($367.3 mn in FY 2020).

[16/] Earnings per Share are calculated by dividing the profit or loss that is attributable to ordinary shareholders of CIFI by the weighted average number of ordinary shares outstanding during the period.

[17/] As part of the credit risk management, specifically concentration risk, CIFI decided to reduce its individual concentration by starting a securitization programme. The securitization allows CIFI to reduce individual credit risk concentration and obtain financing by assigning in exchange for cash, loan portfolio participations for infrastructure development of CIFI that are likely to generate income in the future. The objective of this transaction is to reduce the exposure of the 20 largest individual positions in the Corporation's portfolio, and it will be executed in tranches during 2021 and 2022, up to US$100 million. The first tranche of US$25 million was executed in 2021. In this securitization all risk and rewards are substantially transferred.

PREVIOUS CDB LENDING TO INSTITUTION

2.31 CIFI successfully implemented the previous LOC of $25 mn, approved in December 2008. This LOC was fully disbursed by July 2012. Financing was provided for infrastructure projects in Belize, Haiti, Trinidad and Tobago and Jamaica. The target areas were oil and gas, power, and tourism. The projects: (i) improved the access of the population in Haiti to liquid petroleum gas as a substitute for charcoal; (ii) expanded power generating capacity by 65.5 MW in Kingston, Jamaica; (iii) established a 700-room high-end hotel in Jamaica; and (iv) expanded oil and gas production in Belize and Trinidad and Tobago.

2.32 A key element to the success of the previous loan was CIFI's efficient and effective management and its robust environmental, social, and governance safeguards. These supported the effective administration of the sub-loans and adherence to its lending policy. Projects financed from the loan underwent rigorous appraisal and ongoing supervision which resulted in a high-quality loan portfolio. Notwithstanding the challenging macroeconomic environment during project implementation, CIFI's origination and structured finance team were able to identify viable sub-projects in BMCs. CDB is satisfied with CIFI's compliance with the Loan agreement conditions and its consistent adherence to reporting requirement of the loan.

2.33 CIFI has always met its debt service obligations to CDB with a balance outstanding of $5.1 mn as at December 31, 2021. The collateralisation ratio of not more than 1.1 times (loan to value ratio) established in the loan agreement, has always been fulfilled. Collateralisation ratio stands at 1.24 as of December 31, 2021.

TABLE 2.6: SUMMARY OF PREVIOUS CDB LENDING TO CIFI AS AT DECEMBER 31, 2021
($'000)

Loan No.	Approval Date	Approval Amount	Disbursed Amount	Repaid Amount	No. of Sub-loans[18/]	Outstanding Amount
8/OR-REG	December 10, 2008	25,000	25,000	19,884	5	5,116

LESSONS LEARNED

2.34 CDB's association with FI lending has provided valuable lessons including:

(a) Utilising profitable and efficient FIs like CIFI, is a cost-effective channel for financing private sector infrastructure projects.

(b) Efficient and effective management, appropriate selection criteria for investment projects and good risk management policies are necessary for the sustainability of a project, even at the height of a global financial and economic crisis.

(c) The appraisal process should include a monitoring and evaluation framework to improve the measurement of the impact of funding the projects.

[18/] Five infrastructure sub-projects were financed from the full disbursement of the CDB loan resources to the value of $25 mn.

(d) The use of FIs like CIFI, assists in leveraging the Bank's resources for private-sector lending in a greater range of sectors and areas.

(e) Private sector development financing is more effective when a broad range of instruments are used.

(f) The combination of financial sector deepening, financial inclusion, and broader private sector development is more impactful than targeted private sector lending alone.

STRATEGIC OUTLOOK FOR THE REGION

2.35 CIFI's strategic outlook for the Region involves working with CDB to develop innovative project finance, structuring and syndication products and services that will finance small and medium-sized green, inclusive, climate-resilient productive infrastructure investments in CDB's BMCs. This strategic outlook is guided by CIFI's commitment to expand its business outside of Latin America and to collaborate more with regional partners, to champion and deliver transformational, long-term, positive impact for the people of the Region. CIFI understands that against the background of COVID19 and the Region's evolving commercial financial landscape, collaborating with CDB is a more efficient and effective way to address the gaps in financing productive infrastructure[19/] in many of CDB's BMCs. Consequently:

(a) CIFI's origination and structured finance team and CDB will originate, structure and partner on deals in CDB's BMCs.

(b) CIFI and CDB will collaborate on efforts to strengthen and establish new relationships with key players in the regional commercial landscape, to collaborate with and help boost the brand and value of CIFI and CDB in the Region's commercial financial landscape.

(c) CIFI will work with CDB to continue its efforts to be the leading provider of finance for energy and infrastructure development in LAC.

(d) CIFI and CDB will collaborate on efforts to mobilise resources to support the development of private sector driven investment in green, inclusive, climate-resilient productive infrastructure across CDB BMCs. This will include Lines of Credit and, Co-financing arrangements, among others.

[19/] These include small and medium size projects in the following areas: (i) Energy (RE/EE); (ii) Transportation; (iii) Telecommunications; (iv) Water and Sanitation; (v) Environmental; (vi) Infrastructure Related Services; (vii) Social Infrastructure; and (viii) Tourism.

3. THE PROJECT

RATIONALE

3.01 As countries continue to bounce back from the crisis originated by the COVID-19 pandemic, the demand for infrastructure investments in the Caribbean is expected to increase. This has reignited the need for private investment finance in the Caribbean region. This need is further compounded, as the disruption caused by the global pandemic did not derail the Caribbean's longer-term shift towards renewables and cleaner energy. Caribbean countries are now looking to invest an estimated USD11 bn in renewables and cleaner energy initiatives over the next 10 years [20/]. Furthermore, telecommunications, transport, and water and sanitation systems will need to be built differently to become more resilient to climate change and its extreme events, and to be better able to respond to changes in demand for services. The growing demand to secure private financing for new green, inclusive, climate-resilient productive infrastructures is a priority for Caribbean countries, multilateral, and regional development partners and regional FIs. Accordingly, CIFI, a regional FI with a track record of working with other regional stakeholders to finance renewable and cleaner energy initiatives and other key infrastructure projects, is positioning itself to work with other regional partners to better serve countries in the Caribbean.

3.02 CIFI has proven to be a successful, well-managed, and consistently profitable regional institution, that is well-positioned to provide development value by catalysing investment flows into the Caribbean. It has developed technical competencies in financing private investment initiatives, particularly PPPs valued between $7 mn and $200 mn. This is the range for most infrastructure projects in the Caribbean. CIFI is familiar with the Caribbean financial landscape, having worked in several of CDB's BMCs.

3.03 Historically, CDB facilitates the use of financially sound FIs like CIFI, to support the development of critical infrastructure in BMCs. CDB expects that the proposed LOC will not only assist CIFI in increasing the availability of development finance to eligible private sector projects in CDB's BMCs, but also provide a great opportunity for CDB to expand its private sector portfolio. The new LOC with CIFI is also expected to revitalise the relationship with CDB and to explore the possibility of partnerships for co-financing and co-structuring projects in the Region, allowing the Private Sector Division to leverage CIFI's expertise in developing and financing private sector infrastructure and energy projects.

PROJECT OUTCOMES

3.04 The expected outcome of the project is increased access to private sector led investment in green climate-resilient infrastructure in CDB BMCs.

PROJECT DESCRIPTION

3.05 The LOC will provide CIFI with additional long-term resources for on-lending to private sector enterprises within CDB's BMCs. The resources will finance at least one private sector or private/public sustainable infrastructure projects. The LOC will assist CIFI to:

(a) increase its access to financial resources to support the development of the productive infrastructure in CDB's BMCs; and

(b) obtain development funding to support its portfolio growths in CDB'S BMCs.

[20/] https://publications.iadb.org/publications/english/document/Sustainable_Energy_Paths_for_the_Caribbean.pdf

3.06 The financing will not be used to support fossil fuels initiatives.

3.07 The Design and Monitoring Framework at Table 3.1 summarises the project, including the critical assumptions for its success.

TABLE 3.1: DESIGN AND MONITORING FRAMEWORK

Project Impact

To contribute to an increase in resilient, productive infrastructure in CDB's BMCs.

Outcome	**Indicator**	**Baseline**	**Target**	**Data Sources, Reporting Mechanisms and**
1 Increased private sector driven investment in green, climate-resilient productive infrastructure in at least one CDB's BMC.	Energy savings as a result of green, climate-resilient interventions (MWh) Annual reductions in CO_2 emissions (tonnes)	To be determined at the time of sub-project financing	To be determined at the time of sub-project financing	CIFI's Environmental, Social and Governance Report CIFI Annual Report and Portfolio Records

Assumptions for achieving Outcomes
▪ Macro-economic environment in CDB's BMCs remains stable. ▪ Economic policies and fiscal environment facilitate growth and stability. ▪ CIFI remains committed to supporting private sector development in CDB's BMCs. This includes support to state-owned enterprises and sub-sovereign businesses that operate on a strictly commercial basis. ▪ Continued demand for financing of investments/projects by the private sector in CDB's BMCs. ▪ CIFI management continue to improve operational efficiency and promote a client-centred approach to service delivery. ▪ Financing terms remain competitive and attractive to sub-borrowers. ▪ Adequate security/collateral made available by sub-borrowers.

Output	**Indicator**	**Baseline**	**Target**	**Data Sources, Reporting Mechanisms and Report Frequency**
1. Increased liquidity or resources to support CIFI's portfolio	value of the sub-loan appraised, approved, and disbursed.	Percentage of sub-loan disbursed: 0%	By 31/12/2024 Percentage of sub-loan disbursed: 100%	CDB's Disbursement Records CIFI's Annual Report and Portfolio Records

Outcome	Indicator	Baseline	Target	Data Sources, Reporting Mechanisms and
growth in the productive infrastructure sector in the Region.				CDB's Supervision Reports Project Completion Report (PCR)

ARRANGEMENTS FOR RESULTS MONITORING

Project Output Indicators	**2022 (No.)**	**2023 (No.)**	**2024 (No.)**	**2025 (No.)**	**Total (No.)**	**Report and Frequency**	**Responsibility for Data Collection**
Number of new long-term loans for infrastructure projects in CDB's BMCs	**-**	1	-	**-**	**1**	CIFI Annual Report	CIFI
Number of projects in the energy sector	**-**	1	-	**-**	**1**	CIFI Annual Report	CIFI
LOC Disbursement profile USD mn	4.2	4.05			**8.25**	CIFI Annual Report	CIFI

PROJECT FINANCING

3.08 The project will provide a LOC to CIFI in an amount not exceeding $8.25mn from CDB's OCR (the Loan) at a variable interest rate that is currently 3.6% per annum (p.a.). The financing being offered for this transaction is in keeping with CDB's Guidelines for Lending to Private Sector FIs. The Loan will be:

(a) subject to a commitment charge at the rate of 0.25 % p.a., which will be payable on any portion which is unwithdrawn 60 days after the date of the Loan Agreement;

(b) repayable by quarterly instalments over 5 years commencing immediately after the date of the Loan Agreement with no grace period, as CIFI projects that the likely sub-loan will be for a period of 5 years;

(c) subject to prepayment fees as follows: in the event the Borrower exercises its right to repay the Loan in advance of maturity, on any Due Date prior to the third (3rd) anniversary date of the Loan Agreement and upon 45 days' notice in writing, a prepayment fee equivalent to the amount of the Loan to be prepaid, times the current interest rate, times the ratio which the remaining tenor of the Loan bears to the original tenor of the Loan, shall become payable. The prepayment fee shall be calculated on the basis of 360-day year of twelve 30-day months; and

(d) a cancellation fee at the rate of zero decimal five percent (0.5%) shall be payable on any amount of the Loan cancelled by the Borrower or the Bank before an amount equivalent to seventy-five percent (75%) of the Loan is disbursed.

3.09 The sub-loans will be financed, following CIFI's policies and guidelines. CDB has reviewed these polices and guidelines and find them to be acceptable. Appendix 2.4 summarises the key aspects of the abovementioned policies.

Security

3.10 It is proposed that the loan, interest, fees, commitment charges and other charges be secured by a first ranking security interest in the following, pursuant to an Assignment of Revenues and Security Agreement and a Collateral Accounts and Security Agreement (collectively, the "Security"):

(a) all revenues to be received by the Borrower in connection with the making of the Sub-loans, together with other loan revenues (Assigned Revenues);

(b) all cash and/or any short-term US Treasury Securities deposited in the Revenue Support Account (defined below) when the Assigned Revenues are insufficient to meet the collateralisation ratio of not less than 1.1 times (Revenue Support Funds);

(c) a special US dollar-denominated account located in New York into which the Assigned Revenues will be deposited (Revenue Account); and

(d) a special US dollar-denominated account located in New York into which the Revenue Support Funds will be deposited (Revenue Support Account).

3.11 The agreements/and or other appropriate instrument(s) referred to above shall be in a form acceptable to CDB and shall be prepared and perfected at the expense of CIFI. It will be a condition precedent to first disbursement of the Loan that CIFI has approved the Loan and the Security and provided the Security to CDB.

3.12 Subject to compliance with the collateralisation ratio, CIFI will have the right to freely dispose of cash in the Revenue Account unless the collateral agent is notified by CDB that an event of default has occurred or is continuing. In such an event CDB will have the right to take full control of the Security. Union Bank of California is the collateral agent for the existing LOC, and it is proposed that they be engaged to act as such under this second LOC.

3.13 In addition, CIFI's eligible sub-loans will be secured with acceptable guarantees/collateral. Guarantees must comply with a valuation based on an external and independent assessment; and an analysis must be made relating to the underlying credit quality of any guarantee, including appraisals. For appraisals, if the most recent security valuation occurred within the span of three years it might be accepted. However, the security valuation will be adjusted every year based on appropriate depreciation. Sub-loans offered as a guarantee under this scheme can be located in any country where CIFI operates and related to any productive sector with the exemption of the oil and gas.

3.14 CDB's loan will be supported by a comprehensive package of financial and operating conditions embodied in the loan agreement. Throughout the life of the loan CIFI shall be required to maintain the financial conditions in Table 3.2 below:

TABLE 3.2: FINANCIAL COVENANTS

No.	Covenant	Target
1.	Risk Weighted CAR	not less than 12.5%
2.	Equity to Assets Ratio	not less than 10%
3.	Return on Average Assets (ROAA)	at least 1%
4.	Return on Average Equity (ROAE)	at least 5%
5.	Interest Coverage Ratio	at least 1.5 times
6.	Unsatisfactory assets (NPLs) in the portfolio	shall not exceed 5%
7.	Collateralisation Ratio	not less than 1.1 times
8.	Debt to Equity Ratio	not more than 4 times

3.15 In addition, CIFI shall not, except as CDB may otherwise agree, create any security over the assets charged to CDB which ranks senior to, or *pari passu* with, CDB's loan.

Projected Demand

3.16 As CDB's BMCs continue to relax their restrictive measures, CIFI is working with the private sector in CDB's BMC to rebuild its pipeline and take advantage of the expected demand in energy and infrastructure projects in the Region. In 2020, CIFI's active pipeline in CDB BMCs consisted of six (6) projects amounting to $205.3 mn. Many of these are now on hold due to COVID-19. The current active pipeline consists of only one LED public lighting project in Saint Lucia amounting to $10 mn.

3.17 Within the context of its lending policies, CIFI is expected to fully commit and disburse the LOC to at least one bankable sub-project by June 30, 2024. CIFI has already committed the LOC ($8.63 mn) to support the LED lighting project in Saint Lucia.

Projected Financial Performance

3.18-3.21

This information is withheld in accordance with one or more of the exceptions to disclosure under the Bank's Information Disclosure Policy.

Disbursement

3.22 Disbursement of the CDB loan will be made in accordance with CDB's Disbursement Guidelines for CDB-Financed Projects (January 2019). CIFI expects to fully commit the loan resources by June 30, 2024. It is expected that the first disbursement of the loan will be made by December 31, 2022, and the final disbursement will take place by December 31, 2024.

Procurement

3.23 Procurement shall be undertaken in accordance with the Procurement Policy for Projects Financed by CDB (November 2019) and the Procurement Procedures for Projects Financed by CDB (January 2021). In accordance with paragraph 7.28 of the aforementioned procedures, where CDB lends to financial intermediaries for on-lending to the private sector, the ultimate recipients of the financing may conduct procurement in accordance with established commercial practices acceptable to CDB.

SOCIAL/GENDER IMPACT ASSESSMENT

3.24 In 2019 CIFI developed a Gender Equality Strategy and has been focusing its efforts internally to ensure that male and female members of staff have opportunities for equal representation at different organisational levels and are equally valued and rewarded in the organisation. CIFI strives for these same values in the projects that it finances, but so far, has had limited gender results. CIFI has a roadmap to adopt an approach that contributes to the reduction of the gender gap in all its forms: social, economic, and environmental. The roadmap includes goals for one pilot project per year with a comprehensive gender equality policy and the following actions to: increase women's participation in projects developed in male dominated sectors (i.e. energy, ports, construction); reduce discrimination in all its forms; prevent and resolve sexual harassment; provide access to equal opportunities; facilitate access to resources to reduce gender inequalities in projects and promote economic benefit schemes for women in projects, especially those that contribute to mitigation or adaptation to climate change impacts. CIFI has the potential to scale up its gender mainstreaming efforts and challenge itself to find ways to develop a gender-based business pipeline of projects and to be a leader in supporting innovative and inclusive projects that promote the economic empowerment of marginalised groups.

3.25 With the evidence of growing levels of poverty and the spread of informality, efforts to promote private sector growth and increase opportunities in the labour market are welcomed. Projects funded through CIFI will provide the opportunity for investor confidence to be reignited and to fuel the types of investments that will help put people back to work in scenarios of enhanced job stability and acceptable levels of social protection and rights. This can contribute to the reversal in the upward trend in terms of unemployment and a rebound in participation rates for segments of the population such as women, youth, and people in low wage occupations. In addition, it will help maintain more stability in the employment levels for men who are still operating in many instances as the main breadwinners in many homes across BMCs. Moreover, by expanding the pool of funding in the BMCs especially in niche areas such as RE, the Bank could further facilitate the unlocking of potential in those sectors and create new avenues for growth and overall job generation.

3.26 Having adopted the new version of the Equator Principles[21/] released in 2020 (EP4), CIFI has demonstrated its commitment to upholding human rights in accordance with the United Nations Guiding Principles on Business and Human Rights. An essential aspect of this is ensuring that due diligence is carried out in the area of Environmental and Social Management. Essentially, the aim is to ensure that human rights violations are avoided and that risks associated with projects, or investments which could potentially create negative impacts towards vulnerable populations are mitigated. Indigenous people, women, and persons in lower socio-economic status are more vulnerable to human rights infringements. By infusing human rights and other social considerations into its procedures, policies and practices, CIFI is more likely to be able to ensure that investors are compliant regarding the guidelines and that those people who fall into the most vulnerable categories are adequately protected.

ENVIRONMENTAL ASSESSMENT

3.27 This LOC is categorised "FI" in accordance with CDB's Environmental and Social Review Procedures. Emphasis is therefore placed on:

(a) CIFI's capacity to undertake environmental assessments of the sub-projects it finances;
(b) the adequacy of CIFI's policies and procedures; and
(c) CIFI's compliance with local environmental legislative and regulatory requirements.

3.28 CIFI expects to finance sub-projects in the energy, telecommunications and transport sectors, some of which are greenfield infrastructure projects. Potential environmental impacts associated with infrastructure projects include noise, dust, and waste generation during construction; improper land use; impacts to biodiversity; community and occupational health and safety risks and impacts; and vulnerability to natural hazards and climate change.

3.29 CIFI's ESMS requires all sub-projects to comply with national environmental, social and labour laws and regulations. CIFI has an approved Climate Change Policy, Health and Safety Plan, and grievance redress policies to address complaints and grievances from affected parties. CIFI applies the Equator Principles (EPs); WB Group Environmental, Health and Safety Guidelines; and IFC Environmental and Social Sustainability Performance Standards in the identification and assessment of potential project risks and impacts.

3.30 Projects deemed eligible for financing in accordance with CIFI's exclusion list, are screened for potential E&S risks and impacts using CIFI's Risk Categorisation and Scoring tool, and are subject to an E&S assessment, the depth and complexity of which is proportional to the level of risk. CIFI also assesses clients' capacity to manage and mitigate E&S risks and impacts.

3.31 CIFI's ESG Unit monitors clients' compliance with E&S loan covenants and with conditions of Environmental and Social Action Plans (ESAP). Independent consultants are engaged to provide more intense or specialised assessment and oversight for complex and high-risk projects. CIFI's clients are required to submit an Annual Monitoring Report (AMR), which identifies progress in meeting ESAP requirements, and issues that arose during the reporting period. The AMRs provide input to CIFI's Annual ESG report.

[21/] The Equator Principles are a risk management framework adopted by financial institutions known as Equator Principles FIs (EPFIs), consisting of ten principles for determining, assessing, and managing E&S risks in projects. As an EPs signatory or EPFI, CIFI has incorporated the EP principles into its ESMS and investment approach.

3.32 CIFI's ESG Report reviews CIFI's implementation of its ESMS and the ESG performance of the portfolio. It assesses CIFI's alignment with applicable internal E&S policies and procedures and identifies opportunities for improvement and for increasing institutional effectiveness in E&S risk management. CIFI also produces an annual report on requirements of the EPs and has committed to reporting annually on the climate-related risks and opportunities in its project portfolio.

3.33 The ESG Unit reviews ESMS implementation annually and organises annual mandatory training for staff. CDB staff is satisfied that the design of the ESMS is appropriate for CIFI's mandate and that the application of its environmental, social, health and safety requirements is satisfactory. It shall be an ongoing condition of the Loan that CIFI not, except as CDB may otherwise agree materially amend, waive the application of, or restrict the scope or effect of its ESMS.

Implementation and Reporting Requirements

3.34 CIFI will be responsible for the implementation of the project. Supervision will be provided by CDB through the submission of management and project monitoring reports as well as desk and onsite supervision visits as determined by CDB staff. CIFI will also be required to prepare and submit other reports to facilitate data collection to support the preparation and submission of such reports as are outlined in Appendix 3.2 (the Reporting Requirements); CDB will provide CIFI with appropriate templates. These reports will enable staff of CDB and CIFI to assess CIFI's performance in relation to the monitoring indicators shown in the Results Framework at Table 3.1. CIFI will be required to assist in the preparation of CDB's PCR. The reports to be submitted to CDB are consistent with those to be supplied to other lenders and so will not to create an additional burden to CIFI. The performance of CIFI will be monitored in accordance with the Project Supervision Plan as detailed in Appendix 3.8.

3.35 CIFI will be required to maintain its financial and organisational performance at levels that satisfy CDB's eligibility criteria, and the targets as set out at Appendix 3.9. CDB will supervise the use of the loan resources by CIFI's staff. CIFI will be required to effectively manage the resources of the CDB loan and ensure that there are systems in place to monitor the loans to sub-borrowers and to provide CDB with relevant data and information in order to assess the developmental impact and outcomes of the project. CIFI will be required to submit to CDB, no later than 180 days after the end of its FY:

(a) a certified copy of its audited financial statements; and

(b) a copy of the most recent management letter received from independent auditors acceptable to CDB, and shall make arrangements satisfactory to CDB, to address any deficiencies.

3.36 CIFI, at the request of CDB, shall ensure that its management meets with CDB representatives at a mutually acceptable time and place as often as determined by CDB to be necessary, but at least annually, to exchange views with regards to the progress of the project, the performance of CIFI, as well as the obligations under the Loan Agreement and other matters related to the project.

Expected Performance Rating

3.37 The expected performance rating for this project is 6.6, or highly satisfactory, based on CDB's project performance system. The rating suggests that there is a good probability that if effectively implemented, the project is likely to meet the stated objectives and achieve an acceptable level of performance. Table 3.4 provides a brief rationale for the expected performance scores.

TABLE 3.4: EXPECTED PERFORMANCE RATING

Criteria	Rating	Expected Performance Score	Brief Rationale for Expected Performance Score
Strategic Relevance	Highly satisfactory	7.5	The project is consistent with CIFI's goal of contributing to development, improvement and expansion of private sector infrastructure projects in LAC, by providing financing for the development of technically, financially, economically, socially and environmentally viable private and public-private projects. It is also consistent with CDB's strategy of fostering more rapid economic growth and procuring environment resilience through economic infrastructure in its BMCs, and its Private Sector Policy Strategy specifically expanding infrastructure for economic and human capital development.
Poverty Relevance	Highly satisfactory	6.5	Economic infrastructure facilities and services play a critical role in underpinning economic development. The establishment of new or expansion infrastructure projects in power, telecommunications, transportation, water and sanitation, social infrastructure, infrastructure related services and the environment, is expected to contribute to enhanced social conditions. Additionally, financing essential infrastructure will make a satisfactory contribution directly to poverty reduction through job creation in the short-term and in the long-term, as it facilitates new investment and production opportunities.
Efficacy	Highly satisfactory	6.0	The project is expected to meet its objectives and it has the potential to achieve its financial and operating targets.
Cost Efficiency	Highly satisfactory	7.5	CIFI has a sound management team and capable staff to effectively manage the project. The ROA in each year is projected between 2.0% and 2.4% to give an average ROA of 2.3%.
Institutional Development Impact	Not rated	n.a	There are no provisions under the project for institutional development. The reporting requirements and CDB's position on the BOD would ensure adherence by CIFI to prudential guidelines.
Sustainability	Highly satisfactory	6.5	It is projected that CIFI will remain viable and profitable with sufficient liquidity to meet its debt service and other obligations. Also increased lending will contribute to improved market in presence in CDB's BMC.
Composite Score	**Highly satisfactory.**	**6.6**	

4. RISK ASSESSMENT AND MITIGATION

4.01 The project carries a variety of risks to CDB and to CIFI. Risks, in general, can be categorised under the headings of financial risks, operational risks, strategic and other risks. As a consequence, various risk mitigation measures have been established to manage these risks within tolerable levels, through a framework of measurement, monitoring and control policies, procedures and processes.

4.02 CIFI's BOD has overall responsibility for the establishment and oversight of its risk management framework. CIFI's risk management policies are established to identify, analyse and monitor the risks it faces, to set appropriate risk limits and controls, and to ensure adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and CIFI's activities.
The primary risks encountered by CIFI, and associated mitigation measures are summarised in Table 4.1.

TABLE 4.1: RISK ASSESSMENT AND MITIGATION MEASURES

Risk Type	Description of Risk	Mitigation Measures
Credit	Sub-loan default will have implications for portfolio quality and ultimately, the financial performance of CIFI.	CIFI is expected to maintain mitigation measures including rigorous credit appraisal, continuous monitoring of projects and adhering to its lending, country and sector concentration policies, to keep the level of NPLs within acceptable levels. Provision expense for loan losses is projected to remain below 2.5% of the loan portfolio during the life of the LOC.
Credit	The financial risks to CDB include the credit risk of financial loss if CIFI is unable to repay the loan.	CIFI's strong credit standing (evidenced by its strong external credit ratings A+, of which their low NPL ratio being a factor in this), assisting in mitigating this risk. Also, CIFI obtains adequate collateral for its loans so as to minimise any losses.
Operational	Inadequate private demand for funding.	The LOC has already been earmarked to support the LED project in Saint Lucia. CIFI will also seek out other lending opportunities through its marketing operations and other business networks.

5. THE BORROWER

5.01 The Borrower is CIFI.

Legal Status, Power and Authority of the Borrower

5.02 CIFI is a corporation duly organised and existing under the laws of the Republic of Panama, registered under Fische 731744, Document 1950420 of the Mercantile Section of the Public Registry of Panama. The purpose of CIFI is to promote and finance infrastructure projects and other related services in LAC. To achieve this purpose, CIFI is empowered to, among other things: (i) grant loans and provide guarantees, bonds and other types of guarantees to finance and promote infrastructure projects and related services in LAC through its own financial resources and credit lines from national and international banking institutions; (ii) issue bonds, debt securities and similar instruments for financing of its activities; (iii) obtain local and foreign credit; (iv) acquire, mortgage and dispose of assets of any kind as necessary to conduct business and achieve its objectives; (v) directly or indirectly provide financial technical assistance regarding infrastructure projects and related services in LAC; (vi) provide advisory and consulting services regarding infrastructure projects and related services in LAC; (vii) any other activity allowed by the laws of incorporation to carry out its purpose and objective of promoting and financing infrastructure projects and related services in LAC.

5.03 CIFI's business is managed, and its corporate authority is executed by the BOD. The BOD may have a maximum of nine (9) directors. Directors must perform their duties in good faith and in a manner that is deemed in line with the best interests of CIFI. A quorum for the BOD to validly conduct meetings is a majority of participating members and the resolutions must be agreed to by a majority of those present. CIFI's legal representatives are the President, the Secretary or the Treasurer, who may act jointly or severally.

Shareholding

5.04 CIFI's authorised capital is 85,000,000 common shares with a nominal value of USD1 each. CIFI, in accordance with the laws of the Republican of Panama, maintains a Register of Shareholders. The shareholders of record as at February 18, 2022, and their respective shareholdings are as follows:

Shareholders	%	Number of Shares
Norwegian Investment Fund for Developing Countries - Norfund	34.30	17,263,819
Valora Holdings, S.A.	32.85	16,531,282
Caixa Banco de Investimento, S.A.	12.17	6,122,697
Caribbean Development Bank	7.30	3,673,618
Finnish Fund for Industrial Corporation Ltd.	7.30	3,673,618
Banco Pichincha, CA.	6.08	3,061,349
Total	**100.00**	**50,326,383**

5.05 All the shareholders of CIFI signed a unanimous shareholders agreement dated February 23, 2018 (the Shareholders Agreement). The shareholders appoint the members of the BOD according to the Shareholders Agreement.

6. TERMS AND CONDITIONS

6.01 It is proposed that the Loan be made on CDB's standard terms and conditions and on the following terms and conditions:

No	Subject	Terms and Conditions of the Loan
1.	**Parties**	Bank: Caribbean Development Bank (CDB) Borrower: Corporación Interamericana para el Financiamiento de Infraestructura, S.A. (CIFI)
2.	**Amount of Loan**	The Bank agrees to lend to the Borrower an amount not exceeding the equivalent of eight million six hundred and thirty thousand United States dollars (USD8,630,000) from the Ordinary Capital Resources (OCR) of the Bank (the Loan).
3.	**Purpose**	The purpose for which the Loan is being made is to assist the Borrower in providing financing for infrastructure and energy projects in the Bank's BMCs, more particularly described in the **Project Description** (the Project).
4.	**Repayment**	The Borrower shall repay the Loan in twenty (20) equal or approximately equal and consecutive quarterly instalments, the first payment being due and payable on the first Due Date after the date of the Loan Agreement.
5.	**Interest**	The Borrower shall pay to the Bank interest at the variable rate of three decimal six percent (3.6%) per annum on the amount of the Loan disbursed and outstanding from time to time. Such interest shall be payable quarterly.
6.	**Commitment Fee**	The Borrower shall pay to the Bank a commitment fee at the rate of zero decimal two five percent (0.25%) per annum on the amount of the Loan undisbursed from time to time. Such fee shall accrue from the sixtieth (60^{th}) day after the date of the Loan Agreement and shall be payable quarterly.
7.	**Prepayment Fee**	In the event that the Borrower exercises its right to repay the Loan in advance of maturity, on any Due Date prior to the third (3^{rd}) anniversary date of the Loan Agreement and upon 45 days' notice in writing, a prepayment fee equivalent to the amount of the Loan to be prepaid, times the current interest rate, times the ratio which the remaining tenor of the Loan bears to the original tenor of the Loan, shall become payable. The prepayment fee shall be calculated on the basis of 360-day year of twelve 30-day months.

No	Subject	Terms and Conditions of the Loan
8.	**Cancellation Fee**	A cancellation fee at the rate of zero decimal five percent (0.5%) shall be payable on any amount of the Loan cancelled by the Borrower or the Bank before an amount equivalent to seventy-five percent (75%) of the Loan is disbursed.
9.	**Disbursement of Loan**	Except as the Bank may otherwise agree, disbursements from the Loan Account shall be used solely to finance private sector enterprises for infrastructure and energy projects in the Bank's BMCs. The Borrower shall comply with the Bank's *Disbursement Guidelines for CDB-Financed Projects* published in January 2019, which may be amended from time to time by the Bank.
10.	**Period of Disbursement**	The Bank shall have received an application for first disbursement of the Loan by December 31, 2022, or such later date as may be specified in writing by the Bank. The Loan shall be disbursed up to December 31, 2024, or such later date as may be specified in writing by the Bank.
11.	**Commitment Period**	The Loan shall be totally committed by the Borrower for making Subloans by June 30, 2024, or such later date as may be specified in writing by the Bank (Commitment Date).
12.	**Procurement**	Procurement of goods, works and/or services to be financed from the Loan resources shall be in accordance with the following policy and procedures or such other policy or procedures as the Bank may from time to time specify in writing: (i) Procurement Policy for Projects Financed by CDB (November 2019) (ii) Procurement Procedures for Projects Financed by CDB (January 2021)
13.	**Additional Condition(s) Precedent to First Disbursement**	The Bank shall not be obliged to make the first disbursement of the Loan until the Borrower has furnished or caused to be furnished to the Bank, evidence acceptable to the Bank, that the following condition(s) have been satisfied: (i) Borrower has approved the Loan and the Security (as defined below); and (ii) Borrower has provided the Security to the Bank.

No	Subject	Terms and Conditions of the Loan
14.	**Project Implementation**	Except as the Bank may otherwise agree, the Borrower shall: (i) implement the Project; (ii) adhere to organisational, administrative, accounting and auditing arrangements for the Project agreed with the Bank and, in particular, maintain procedures acceptable to the Bank, for processing and making Subloans; and (iii) be responsible for supervising the implementation of the Sub-projects and any requirements specified as conditions of Subloans in the appraisal reports for such projects.
15.	**Security**	(a) As security for the Loan, interest, fees, commitment fees and other charges thereon (Security), the Borrower shall execute and deliver to the Bank an Assignment of Revenues and Security Agreement and a Collateral Accounts and Security Agreement or other appropriate instrument or instruments acceptable to the Bank, creating in favour of the Bank, a first ranking security interest in: (i) all revenues to be received by the Borrower in connection with the making of the Sub-loans, together with other loan revenues (Assigned Revenues); (ii) all cash and/or any short-term US Treasury Securities deposited in the Revenue Support Account (defined below) when the Assigned Revenues are insufficient to meet the collateralisation ratio referred to in Section 17(viii) below (Revenue Support Funds); (iii) a special US dollar-denominated account located in New York, United States of America into which the Assigned Revenues will be deposited (Revenue Account); and (iv) a special US dollar-denominated account located in New York, United States of America into which the Revenue Support Funds will be deposited (Revenue Support Account). (b) The agreements and/or other instrument or instruments required to give effect to the arrangements contemplated by this Section shall be in form and substance acceptable to the Bank and shall be prepared, completed and perfected in all respects by, and at the expense of, the Borrower. (c) So far as may be necessary for the avoidance of doubt, the expense incurred by the Bank in obtaining any legal advice from a legal practitioner or legal practitioners in Panama or elsewhere in connection with the preparation and completion (including

No	Subject	Terms and Conditions of the Loan
		registration thereof or registration of particulars thereof) of the documentation required to give effect to the arrangements contemplated by this Section shall be borne and paid for by the Borrower. (d) The Bank may accept other forms of security under arrangements similar to those set out in this Section.
16.	**Operational Requirement(s)**	The Borrower shall: (i) except as the Bank may otherwise agree, maintain its financial and organisational performance at levels that satisfy **CDB's Eligibility Criteria for Development Finance Institutions**; (ii) manage the resources of the Loan and monitor Subloans in accordance with the policies and guidelines referred to in the **Governance Structure and Operational Policies**; and (iii) conduct its business along strict commercial lines and in such a manner as to generate operating revenue sufficient to cover its operating expenses, including depreciation, as well as the payment of principal, interest and other charges in respect of the Loan and all other loans and to accumulate a reasonable surplus. Except as the Bank may otherwise agree, the Borrower shall not: (i) after the date of the Loan Agreement, create or maintain on any of its property as security for any debts, security which will rank prior to, or pari passu with, the Security given as a requirement of the Loan Agreement; (ii) otherwise than in the ordinary course of business, sell, lease, transfer or otherwise dispose of any of its assets which shall be required for the efficient carrying on of its business; (iii) make any loans to any of its directors or shareholders or to any other person (with the exception of the Borrower's staff) for any purpose whatsoever; (iv) grant any credit (other than in the ordinary course of business) or give or negotiate any guarantee or indemnity to or for the benefit of the Borrower, or anyone else, or voluntarily assume any liability in respect of any obligation of anyone else; or (v) materially amend, waive the application of, or restrict the scope or effect of its ESMS.
17.	**Financial Covenants**	Except as the Bank may otherwise agree, the Borrower shall make loan loss provisions in accordance with International Financial Reporting Standards to cover market risk and shall, throughout the life of the Loan, maintain: (i) a Capital Adequacy Ratio of not less than 12.5%; (ii) a Total Assets Ratio of not less than 10%; (iii) a ROAA of at least 1%; (iv) a ROAE of at least 5%

No	Subject	Terms and Conditions of the Loan
		(v) an Interest Coverage Ratio of at least 1.5 times; (vi) unsatisfactory assets (non-performing loans in the portfolio) not exceeding 5%; (vii) a Debt/Equity Ratio of not more than 4:1; and (viii) a collateralisation ratio of not less than 1.1 times.
18.	**Ownership and Control of Borrower**	Section 7.10(b) of the General Provisions Applicable to Loan Agreements with Borrower Only (General Provisions), which requires at least fifty-one per cent (51%) of the issued and paid-up share capital of the Borrower to be held at all times by one or more of the Governments, nationals and belongers of borrowing member countries of the Bank and corporate bodies controlled by such Governments, nationals and belongers and the Borrower and requires the Borrower at all times to be controlled by one or more of such Governments, nationals, belongers and corporate bodies, shall not apply to the Borrower.
19.	**Borrower’s General Obligations in relation to making Subloans**	The Borrower shall: (i) in observance of the spirit of Article 35(2) of the Bank’s Charter, only bring economic considerations to bear upon the decisions of the Borrower in making Subloans; (ii) exercise its rights in relation to each Subloan in such a manner as to protect the interests of the Bank and the Borrower. Each Subloan shall not exceed eighty percent (80%) of the cost of the project financed by such Subloan.
20.	**Terms and Conditions of Subloans**	(a) The Borrower shall ensure that: (i) all Subloans are adequately secured and the value of property offered as security for each Subloan shall be carefully appraised; (ii) all works, goods and services financed out of each Subloan are used exclusively in carrying out the Sub-project and in conformity with any contract or other arrangement approved by the Bank; and (iii) all Sub-projects utilising the proceeds of the Loan comply with applicable legislative and regulatory requirements in the relevant BMC. (b) The Borrower shall: (aa) make Subloans at rates of interest which are in line with current practice and may vary the interest rate from time to time to reflect market conditions; and (bb) include a provision in agreements for and instruments to secure Subloans that the Borrower may vary the stipulated rate of interest as it deems appropriate upon giving the Sub-borrower reasonable notice in writing of the Borrower's intention to do so.

No	Subject	Terms and Conditions of the Loan
		(c) The Loan shall not be used by the Borrower for making a Subloan: (aa) to support fossil fuels initiatives; (bb) for the purchase of land and/or existing buildings, working capital (except where required for start-up operations), refinancing, equity investments or any other purpose which is excluded from financing by the Bank; or (cc) to any person or body of persons other than nationals or belongers of a BMC or to any company or corporation which is not effectively controlled by nationals and/or belongers of one or more of such countries without the prior written approval of the Bank. (d) The Borrower shall submit to the Bank, for all Sub-projects financed by Subloans in a format acceptable to the Bank, appraisal reports which demonstrate the overall viability of the Sub-projects (Appraisal Report). (e) The Borrower agrees that the following conditions, among others, shall be required whenever Subloans are made by the Borrower: (i) a requirement that the Sub-borrower carry out and operate the Sub-project with due diligence and efficiency and in accordance with sound technical, financial and managerial standards and practices; (ii) a commitment on the part of the Sub-borrower that the goods and services financed by the Subloan will be used exclusively for the purpose of the Subloan; (iii) a requirement that the Sub-borrower maintain adequate records and that disbursements from a Subloan will be made against invoices and certificates of work done except for advances given to the Sub-borrower in accordance with arrangements consistent with the policy of the Bank on floats to financial intermediaries; (iv) the right of the authorised representatives of the Bank, upon reasonable notice to the Borrower and the Sub-borrower, to inspect the goods, sites, works, plant and construction included in the Sub-project, the operation thereof and any relevant accounts, records and documents; (v) the obligation of the Sub-borrower to furnish all information that the Borrower may reasonably request with respect to the Sub-project and to the financial condition of the Sub-borrower; (vi) the right of the Borrower to suspend or terminate disbursement of the Subloan if the Sub-borrower defaults

No	Subject	Terms and Conditions of the Loan
		in the performance of any of its obligations under the agreement for the Subloan; (vii) an undertaking by the Sub-borrower that all necessary measures will be taken to ensure that any construction or service contract and all purchases of goods for the Sub-project be made at a reasonable cost, which will generally be the lowest market price, taking into account time of delivery, quality, efficiency, reliability of the goods and availability of maintenance facilities and spare parts therefor and, in the case of services, of their quality and the competence of the parties rendering them; (viii) provision by the Sub-borrower of adequate security for the Subloan; (ix) a requirement that the Sub-borrower shall take out and maintain with responsible insurers such insurance against such risks and in such amounts as shall be consistent with sound business practice and, without limitation upon the foregoing, such insurance to cover marine, transit and other hazards incident to the acquisition, transportation and delivery of goods financed out of the Subloan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Sub-borrower to replace or repair such goods; (x) an undertaking by the Sub-borrower to carry out any requirements specified as conditions of the Subloan, and the right of the Borrower to require repayment of the Subloan immediately on failure of the Sub-borrower to carry out such requirements; (xi) a requirement that Sub-borrowers undertaking procurement for contracts financed fully or partially by the Loan resources to utilise established commercial practices acceptable to the Bank, unless the Sub-borrower is subject to public procurement legislation and regulations, in which case the Sub-borrower shall conform with the applicable legal and regulatory requirements; (xii) a requirement that the Sub-borrower and any firm, entity, or individual bidding for or participating in the Sub-project, including applicants, bidders, contractors, consulting firms and individual consultants, personnel, subcontractors, subconsultants, providers of goods or services, or concessionaires (including their respective

No	Subject	Terms and Conditions of the Loan
		officers, employees, and agents, irrespective of whether their authority has been expressly or implicitly granted) and shall not engage in any Prohibited Practice in connection with the procurement, execution or supervision of the Sub-project; and (xiii) a requirement that the Sub-borrower shall observe all the laws of the relevant BMC with respect to the environment, which are relevant to the Sub-project.

21.	**Reports and Information**	(a) Except as the Bank may otherwise agree, the Borrower shall furnish or cause to be furnished to the Bank the reports and information set out in the **Reporting Requirements** in the form specified therein, or in such form or forms as the Bank may require, not later than the times specified therein for so doing. (b) The Borrower shall furnish to the Bank, as soon as available, but in any case not later than six (6) months after the end of each fiscal year, a copy of the most recent management letter received from independent auditors acceptable to the Bank, and shall make arrangements satisfactory to the Bank, to address any deficiencies identified in such management letter. (a) In the event the Borrower fails to maintain its records, accounts and information in accordance with Section 7.02 of the General Provisions or furnish the reports and information in accordance with the provisions of the Loan Agreement, the Borrower shall pay to the Bank on demand the cost and expenses, including travel expenses, incurred by the Bank in exercising any access rights pursuant to Section 7.03 of the General Provisions. (b) The Borrower shall: (i) within ten (10) days after occurrence, notify the Bank of any material social, labour, health and safety, security or environmental incidents, accidents or circumstances; (ii) deliver to the Bank copies of any other management letter or other communication sent by the external auditors of the Borrower; (iii) promptly notify the Bank of: (aa) any litigation, arbitration, or administrative proceedings which may have a material adverse effect; (bb) any litigation, administrative, regulatory or criminal investigations or proceedings or freezing of assets by a government authority involving the Borrower or its employees with regard to money laundering or financing of terrorism; and (cc) any event of default or potential event of default. (iv) provide, in a timely manner, insurance certificates and other insurance information;

No	Subject	Terms and Conditions of the Loan
		(v) provide documents prepared in connection with any reviews conducted by the external auditor or other regulatory authority; and (vi) provides such other information as the Bank from time-to-time requests about the Borrower, its assets and operations.
22.	**Additional event of Cancelation**	After the Commitment Date an amount of the Loan remains uncommitted.

APPENDIX 1.1

GENDER MARKER ANALYSIS

Project Cycle Stage	Criteria	Score
Analysis: Introduction/ Background/ Preparation	Consultations with relevant categories of males and females have taken place.	0.5
	Socioeconomic, Sector and/or Institutional analysis considers gender risks and/or gender disparities that impact the achievement of project outcomes.	0.5
Design: Project Proposal/ Definition/ Objective/ Description	Project policies address existing gender disparities.	0.5
Implementation: Execution		0
Monitoring and Evaluation: Results-Monitoring-Framework (RMF)	Collection of sex-disaggregated data is part of the project.	0.5
Maximum Score:		2

Scoring Code

Marginally Mainstreamed (MM): if 1.5 to 2.5 points.

APPENDIX 2.1

PROFILE OF THE BOARD OF DIRECTORS

Name	Office	Academic Qualifications	Profession
Pertti Nurmio	Director	Graduate of the University of Helsinki, Faculty of Law. Fellow of Harvard Business School, Program for Management Development.	Retired from Armada Mezzanine Capital Oy. Founder of Investoole Oy, a private equity/debt related advisory and consulting firm. Member of Finnfund Investment Committee.
Judith de Barany	Director	Bachelor's degree in Economics, Wellesley College. MBA from Harvard Business School.	Former adviser to the Portfolio and Operational Risk Department at IFC. Co-Founder and Board Director of the Foundation for Fund Governance. Member of the Audit and Nominating/Compensation Committees at CIFI.
Carlos Sánchez	Director	Bachelor's degree in Business Administration, Central American Technological University. MBA from Duke University	Head of Investments at Central American Bank for Economic Integration (CABEI).
Per Aage Jacobsen	Director	*Candidatus rerum politicarum* of comparative Politics at University of Bergen.	Senior Vice President – Project Finance & Advisory at DNB Bank ASA. Member of Investment Committee, NORFUND.
Javier Escorriola	Director	Bachelor's degree in Business Administration, University of Texas. Master's degree in Economics, University of Sheffield.	Regional Manager NORFUND
Alison Harwood	Director	Bachelor's degree in History, Franklin and Marshall College. MBA, Columbia University, New York Master's degree in International Affairs, Columbia University.	Independent consultant for Sustainable finance and Impact investing. Former Global Head and Practice Manager, Capital Markets, Finance and Markets, World Bank.

Name	Office	Academic Qualifications	Profession
Joaquim Souza	Director	Degree in Business Economics, Universidade Nova de Lisboa Master's degree in Business Administration, University of Virginia.	Fund Manager at Nau Capital LLP Advisor, Diligence Capital SGPS
Mauricio Orellana	Director	Bachelor's degree in Electrical and Electronics Engineering, Universidad Central de Venezuela. MBA from Institute of Higher Studies in Administration (IESA)	Managing Director at Cori Capital Advisors Board Member, Credit Committee at CIFI

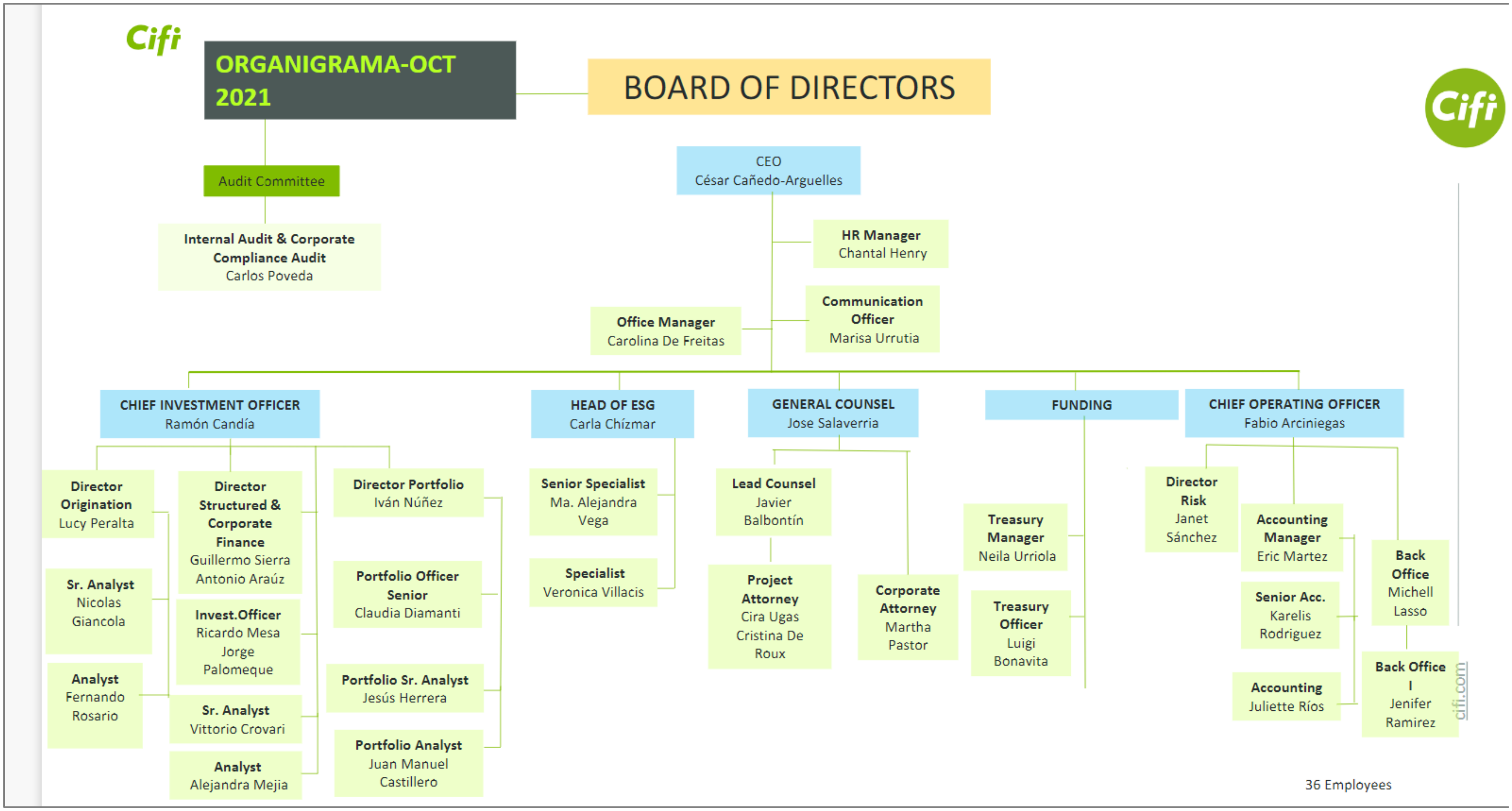
APPENDIX 2.2

PROFILE OF MANAGEMENT TEAM

Name	**Position**	**Qualifications and Experience**	**Length of Service at CIFI (Years)**
César Cañedo-Arguelles	President/CEO	Mr. Cañedo-Arguelles is a founding member of CIFI with extensive experience in the financial sector, infrastructure and investment banking. Bachelor's degree in Business Administration and Finance at the University of Saint Louis (Missouri) and a Master's degree in Finance from the Instituto de Empresa in Madrid, Spain. In 2015 he was appointed CEO of CIFI and is responsible for leading the growth and expansion of the company.	19
José Salaverría	General Counsel/Secretary	Mr. Salaverría has been trained as Juris Doctor by Universidad Central de Venezuela, School of Law, and has completed a Master's degree in Comparative Law by The George Washington University and a MBA by American University. Over 20 years of experience in cross-border investment and infrastructure.	19
Fabio Arciniegas	Chief Risk Officer (CRO)	Mr. Arciniegas has over 25 years of risk management experience in financial institutions across Latin America. Civil Engineer graduate and Master of Construction Management from University of Los Andes in Colombia. Ph.D. in Statistics from	5

Name	Position	Qualifications and Experience	Length of Service at CIFI (Years)
		Rensselaer Polytechnic Institute in New York. In addition, he is Certified Financial Risk Manager (FRM) by The Global Association of Risk Professionals (GARP), and a Project Management Professional (PMI).	
Carla Chízmar	Head of Environment, Social & Governance	Ms. Chízmar leads the newly created ESG department, including the development of a Strategic Plan to position CIFI in the market of green lending and investing. Bachelor’s degree in Natural, Exact Sciences and Technology from University of Panamá and Master’s degree of Environmental Sciences from Yale University.	5

CIFI ORGANISATIONAL CHART AS AT OCTOBER 2021



APPENDIX 2.3

APPENDIX 2.4

GOVERNANCE STRUCTURE AND OPERATIONAL POLICIES

1. RESPONSIBILITY OF THE BOARD OF DIRECTORS

1.01 The Corporation's Board of Directors (BOD) has overall responsibility for the establishment and oversight of the risk management framework. For such purposes, the Board reviews and approves the Corporation's policies and has created the Risk Committee, the Audit Committee, the Credit Committee and the Nominating and Corporate Governance/Compensation Committee. All report regularly to the BOD and are comprises members of the Board and independent members.

1.02 The Corporation's risk management policies are established to identify and analyse the risks faced by the Corporation and to set appropriate risk limits and controls. Risk management policies and controls are reviewed regularly to adapt to and reflect changes in market conditions and in the products and services offered. The Corporation applies periodic employee training, management standards, and internal procedures to develop a disciplined and controlled environment in which all employees understand their roles and responsibilities.

1.03 The Risk Committee of the BOD oversees management's programme to limit or control the material business risks. It ensures the Corporation has in place an appropriate enterprise-wide process to identify, assess, monitor, and control material business risks including, but not limited to, credit risk, interest rate risk, liquidity risk, regulatory risk, counterparty risk, legal risk, operational risk, strategic risk, environmental risk, social risk, and reputational risk. In the case of Credit Risk, the Committee recommends write-offs to the BOD; also the Committee, on a regular basis, reviews the risk management programmes and activities and the Corporations compliance with those programmes and activities. In addition, the Committee periodically reviews and monitors all matters related to the corporate culture within the Corporation. It reviews and monitors all the environmental and social responsibility standards and guidelines under which the Corporation and its employees must operate.

1.04 The Audit Committee of the BOD oversees the integrity of the Corporation's financial statements, compliance with legal and regulatory requirements, the independent auditors' qualifications and independence, the performance of the Corporation's internal audit functions, and the Corporation's system of disclosure controls and system of internal controls regarding finance, accounting, and legal compliance. The Audit Committee encourages continuous improvement of, and fosters adherence to the Corporation's policies, procedures, and practices at all levels. It also provides an open avenue of communication among the independent auditors, financial and senior management, the internal auditing function, and the Board.

1.05 The Credit Committee, majority comprised of senior management, reviews, approves and oversees the lending programme of the Corporation. Its duties and responsibilities are to: review and approve loan transactions (including refinancing, rescheduling, and restructuring transactions) within the limits established by the Board, including but not limited to Corporation's credit and lending policies; review and approve material waivers and amendments to a credit (changes in spread, amortisation schedule, tenor and/or guarantees) within the limits established by the Board; and monitor problem loans and assets. Any waiver to limits and policies requires approval from the Risk Committee.

1.06 The Nominating and Corporate Governance/Compensation Committee assists the Board in establishing and maintaining qualification standards for evaluating board candidates, in determining the size and composition of the BOD and its committees, in monitoring a process to assess board effectiveness and in developing and implementing the Company's corporate governance guidelines. The Committee also makes employment and compensation decisions related to the Chief Executive Officer (the "CEO") and assists the CEO in carrying out his or her responsibilities relating to executive compensation, incentive compensation, and equity and non-equity based benefit awards.

1.07 There are two (2) committees at management level: Asset and Liability Committee (ALCO) and Procurement. The ALCO must abide by the guidelines established in the risk policies relating to management of Interest Rate, Forex, GAP, and Liquidity Risks and comply with technical criteria pursuant to good banking practices. In addition, it recommends to the Risk Committee updates to the Capital Adequacy, Interest Rate, Forex, GAP, and Liquidity policies. This Committee is composed of three (3) members of Management and is assisted by the Treasurer. As in the Credit Committee, any waiver to limits and policies will require approval from the Risk Committee. The Procurement Committee, which is composed of three (3) members of Management, is involved in the procurement of goods and services on behalf of the Corporation. The Committee should ensure that purchasing and contracting activities comply with principles of fair competition, non-conflict of interest, cost-effectiveness, and transparency.

1.08 Following is a detailed explanation on management of credit, liquidity, market, and operational risks:

(a) Credit Risk

Credit risk is the risk that the debtor or issuer of a financial instrument owned by the Corporation fails to meet an obligation fully and on time in accordance with the contractual terms and conditions agreed when the Corporation acquired or originated the financial asset. Credit risk is mainly associated with the loan and investment security (bonds) portfolios; and is represented by the carrying amount of those assets in the consolidated statement of financial position.

(b) Liquidity Risk

Liquidity risk arises in the general funding of the Corporation's activities. It includes both the risk of being unable to settle assets at contractual maturities and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate timeframe.

Management of Liquidity Risk

The Corporation's approach to managing liquidity is to ensure, as far as possible, that it always has to have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation.

The Treasurer receives information from management of new business units regarding liquidity needs for the next several days, weeks, and months. The Treasurer then keeps a portfolio of short-term liquid assets, largely made up of cash in banks, liquid investments in secure instruments in accordance with internal policies on liquid portfolio investment limits, and committed and available lines of credit, to ensure that the Corporation can meet expected and unexpected liquidity requirements.

The liquidity position is monitored on a regular basis and liquidity stress testing is conducted under scenarios covering both normal and more severe market conditions. All internal policies and procedures for term matching are subject to review and approval by the BOD. ALCO monitors the Corporation's liquidity position by evaluating the following requirements established in the Corporation's current liquidity policy, which are reported to the Risk Committee and the BOD on a quarterly basis:

(i) Mismatches in the consolidated statement of financial position – asset-liability gap analysis;
(ii) Anticipated funding needs and strategies;
(iii) Liquidity position;
(iv) Mark to market variances; and
(v) Stress analysis of the Corporation's forecasted cash flows.

When a financial crisis impacts the markets, CIFI activates its liquidity contingency plan, which requires Management to increase liquidity and to extend its liquidity position from 6 months to 1 year its liquidity position; the contingency plan is currently active due to the COVID-19 related crisis.

(c) Market Risk

Market risk is the risk that unfavourable movements in market variables, such as interest rates, equity prices, underlying assets, foreign exchange rates, and other financial variables, will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and monitor risk exposure and to ensure that such exposure does not exceed acceptable limits, thus jeopardising returns.

Foreign currency risk: The Corporation incurs foreign currency risk when the value of its assets and liabilities denominated in currencies other than the U.S. dollar is affected by exchange rate variations, which are recognised in profit or loss.

2. KEY ASPECTS OF CIFI's CREDIT POLICY

2.01 CIFI's mission is to focus on all types of debt and advisory services to small and medium scale private sector infrastructure projects and companies in Latin America and the Caribbean. CIFI applies rigorous credit risk origination and management techniques to maintain prudent levels of risk and keep bad debt levels at minimum. CIFI uses the latest techniques in underwriting, approval and disbursement controls, appraisal analysis, as well as supervision and monitoring.

(a) General Fields of Lending

CIFI will originate the following credits and limits:

(i) General Lending Guidelines: Based on the Enterprise Risk Management Policy approved by the BOD.

(ii) Countries where CIFI can Lend: CIFI will conduct its business in Latin America and the Caribbean.

(iii) Prohibited Borrowers: CIFI will not provide financing to any Project or Company that is primarily involved in the following prohibited activities (Harmonised EDFI Exclusion list)[1/]:

(aa) Forced Labour of Child Labour.

[1/] According to The European Development Finance Institution (EDFI) "Principles for Responsible Financing".

(bb) Activities or materials deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international phase-outs or bans, such as:

(i) ozone depleting substances, PCB's (Polychlorinated Biphenyls) and other specific, hazardous pharmaceuticals, pesticides/herbicides or chemicals;

(ii) wildlife or products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES); or

(iii) unsustainable fishing methods (e.g., blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 km in length).

(cc) Cross-border trade in waste and waste products, unless compliant with the Basel Convention and the underlying regulations.

(dd) Destruction of High Conservation Value areas.

(ee) Radioactive materials and unbounded asbestos fibres.

(ff) Pornography and/or prostitution.

(gg) Racist and/or anti-democratic media.

(iv) In the event that any of the following products form a substantial part of a project's primary financed business activities:

(aa) Alcoholic Beverages (except beer and wine);
(bb) Tobacco;
(cc) Gambling, casinos and equivalent enterprises.

(b) Portfolio Risk Diversification and Lending Limits

(i) Exposure: Credit exposure is the total amount of credit made available to a borrower by a lender. The magnitude of credit exposure indicates the extent to which the lender is exposed to the risk of loss in the event of the borrower's default. For CIFI, exposure comes from: committed amount; incurred fees; any other cost attributable to the client; and Potential Future Exposure (PFE) estimated at a 95% confidence level, from hedging (Interest Rate Swaps and/or Cross Currency Swaps). All limits shall be based on exposure.

(c) Country Limits

(i) The maximum country exposure limit shall be the lesser of 25% of CIFI's Net Approved Portfolio or the following:

Country's Category	% of Net Worth (NW)
Prime	125
Normal	100
Fair	60
Restricted	40

Net Worth to be used shall be the most recent audited financial statement.

(ii) Country Category. Countries are categorised as Prime, Normal, Fair or Restricted based on a matrix of country ratings and GDP.

(iii) A loan will be secured if exposure is fully covered with acceptable collateral to CIFI. All collaterals shall comply with the following criteria:

(aa) Security valuation was performed based on an external and independent assessment.

(bb) An analysis must be made related to the underlying credit quality of any guarantee and its acceptable value for CIFI, including appraisals. For appraisals, the most recent security valuation occurred within the span of three years might be accepted. However, the security valuation will be adjusted every year according to the appropriate depreciation. The analysis must be included in the Credit Memorandum.

3. KEY ASPECTS OF CIFI'S ENTERPRISE RISK MANAGEMENT POLICY

3.01 Enterprise Risk Management System (ERM) is defined as the process of managing all a corporation's risks within an integrated framework. The ERM enables CIFI to manage its total risk-return trade off and better carry out CIFI's strategic plan, gain competitive advantage and create value for its shareholders. This is a conceptual process that consists of four steps:

(a) Step 1: Determine CIFI's risk appetite. Target a probability of financial distress that maximises CIFI's value. This definition should be approved by the BOD.

(b) Step 2: Estimate the amount of capital needed to support the desired level of risk. CIFI's has defined this with a Capital Adequacy Ratio of 12.50%.

(c) Step 3: Determine the optimal combination of capital and risk that achieves the target credit rating.

(d) Step 4: Decentralise the management of risk. The BOD should allocate capital and evaluate performance in ways that ensure that Management has incentives to take actions that optimise CIFI's risk-capital trade off.

3.02 As CIFI adhered to the Equator Principles[2/], Environmental and Social aspects shall be incorporated into the decision-making process, and all risks related to them shall be properly identified and mitigated. The philosophy adopted by CIFI for corporate governance in the ERM framework is the following:

(a) Laws and Regulations, Best Practices, Shareholders Agreement and Corporate Governance charter: CIFI's ERM should be compatible with all laws and regulations and best practices such as Basel Committee and the Committee of Sponsoring Organisations of the Treadway Commission (COSO). In addition to the latter and the Shareholders Agreement, the BOD designs and approves CIFI's Corporate Governance Charter, which reflects how risk will be managed at different levels of responsibility.

(b) BOD: The Corporate Governance Charter establishes that the BOD is responsible for approving all risk policies, including the Enterprise Risk Policy. The BOD is responsible for approving the company's strategy, relevant policies and ensuring that Management provides required funding and resources for the ERM structure. Finally, it should periodically review ERM reports.

(c) Business and Operational Units (First Line of Defense): These units are accountable for managing risks within approved policies.

(d) Risk Units (Second Line of Defense): They establish independent monitoring of the Business and Operational Units as well as of any other independent units. Risk Units are responsible for promoting best practices and risk policies, including limits, which should be approved by the BOD, in addition to risk measurement methodologies.

(e) Compliance (Third Line of Defense): To close the risk management process, compliance should review the overall process and its critical points. This line includes the Corporate Compliance Officer and External Auditors.

3.03 The ERM policy comprises the following chapters:

(a) Credit risk management
(b) Operational risk management
(c) Legal risk management
(d) Money laundering and terrorism financing risk management
(e) Market risk management
(f) Liquidity risk management
(g) Reputational risk management

4. KEY ASPECTS OF CIFI's LIQUIDITY POLICY

4.01 The liquidity policy establishes the needs for liquidity and determines its allocation. The policy requires liquid assets availability to meet anticipated contractual obligations and to ensure uninterrupted financial operations in the event CIFI were to refrain from borrowing in response to unattractive market conditions or other constraints.

4.02 The assets and liabilities of CIFI shall be managed in order to maximise shareholder value and to protect the institution from any negative financial consequence arising from negative changes in market interest rate and liquidity.

[2/] The Equator Principles – Environmental and social risk management for projects (equator-principles.com)

4.03 The Risk Committee is responsible for recommending to the BOD prudent asset/liability management policies and procedures that enable CIFI to achieve its goals while operating in full compliance with all internal and external regulations.

4.04 Management will have the responsibility for managing the asset/liability procedures with oversight by the Risk Committee. In this regard, Management will hold every 15 days an Asset Liability Committee meeting that shall review and recommend to the Risk Committee the following:

(a) Mismatches in the balance sheet – Asset Liability Gap Analysis.
(b) Anticipated funding needs and strategies.
(c) Liquidity position.
(d) Stress analysis of CIFI's forecasted cash flow.

4.05 The Risk Committee can approve financing for CIFI, including loans and issuance of debt instruments (secured and unsecured) up to $50,000,000. Any debt above the latter amount would have to be approved by the BOD. The CEO can approve financing for CIFI, including loans and issuance of debt instruments (secured and unsecured) up to $10,000,000, based on the limits for interest rate and tenor set by the Risk Committee. New lenders to CIFI need the Board clearance before approving any transaction. Any financing taking by CIFI shall always comply with the Interest rate risk-derivatives Policy and all covenants set by CIFI's lenders.

4.06 Contingency Liquidity Plan (CLP):

(a) Early Warnings Indicators Management should regularly review at least the following indicators in order to consider implementing a CLP:

(i) Cumulative Asset Liability GAP from 1 to 365 days < 0.
(ii) Stress analysis of CIFI's forecasted cash flow: Probability of negative cash balance in 1 year > 1%.
(iii) Committed funding is suspended or cancelled.
(iv) Access to new funding is limited.
(v) Asset quality has deteriorated.
(vi) Unexpected increases of past due loans.

5. KEY ASPECTS OF ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM

5.01 The BOD approves E&S policies, procedures, and Key Performance Indicators (KPI). CIFI is committed to mainstream sustainability in its operations by building environmental, social and governance (ESG) factors into the investment process. CIFI will perform a comprehensive ESG risk assessment; propose mitigation strategies to minimise such risks and impacts; and guide our clients through its implementation.

5.02 CIFI is committed to foster sustainable development in the Region by maximising positive environmental and social outcomes whenever possible. To contribute to this, CIFI forbids financing to any project or company whose primarily business activities are listed in our Exclusion List.

5.03 CIFI recognises Climate Change as a global challenge and anticipates any possible contribution from the private sector as key to sustain economic, environmental, and social wellbeing. To that end, CIFI applies IFC Performance Standards in all its financing, is committed to promote a low carbon economy, and to report GHG emissions accurately.

5.04 CIFI is a committed agent of progress in emerging markets of the Americas, understanding the value of respecting human rights and gender equality as key drivers of sustainable development in our Region.

5.05 CIFI is committed to implement principles to structure and process the direction and control of its performance, showing strong corporate leadership. To this end, CIFI will secure the necessary resources to constantly improve our ESMS and communicate its commitments to all its stakeholders.

(a) CIFI will implement the highest standards and principles in its business to achieve its commitments: - Implementing and continuously improving our ESMS;

(b) Requiring compliance with applicable Environmental, Social and Labour Laws;

(c) Applying the International Finance Corporation Performance Standards on Environmental and Social Sustainability (IFC-PS);

(d) Applying the Equator Principles (when applicable);

(e) Applying the Principles for Responsible Investment[3/] (Asset Management);

(f) Applying CIFI's Corporate Governance Principles; and

(g) Applying international best practices or international environmental and social standards as CIFI's E&S staff see fit.

5.06 CIFI applies International Finance Corporation Performance Standards in all its financial products. In those cases, in which CIFI participates in a loan with a Multilateral Development Bank (MDB) such as IDB-Invest, CDB, IFC, etc. each institution´s applicable safeguards will also apply.

6. GENERAL INVESTMENT POLICIES SPECIFIC TO THE SUBLOANS

6.01 Country Eligibility for the sub-loans are. Borrowing Member Countries of CDB: Anguilla, Antigua and Barbuda, Barbados, Belize, British Virgin Islands, Cayman Islands, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, Saint Lucia, St. Vincent and the Grenadines, Suriname, The Bahamas, Trinidad and Tobago, and the Turks and Caicos Islands.

6.02 Eligible Companies. CIFI's clients will generally be private sector backers of private or public sector infrastructure projects, and will have the following characteristics:

(a) Ownership: majority-owned private infrastructure companies, under sound legal and corporate governance structures (subject to legal risk review).

(b) CIFI may participate in the financing of public sector projects owned or guaranteed by a public entity, but the focus will be on the private sector.

6.03 Infrastructure Sectors:

(a) Energy;
(b) Transportation;

[3/] Formerly known as UN Principles for Responsible Investment (UN PRI).

(c) Telecommunications;
(d) Water and Sanitation;
(e) Environmental;
(f) Infrastructure Related Services;
(g) Social Infrastructure; and
(h) Tourism.

6.04 CIFI's Investment types: CIFI's investments should have the following features and limits. Products:

(a) long-term loans, directly to borrowers and/or indirectly in the form of the participation in A/B loans or syndicated loans arranged by reputable financial institutions and/or private equity funds;
(b) subordinated loans as a form of mezzanine financing;
(c) guarantees of loans made by third-party investors;
(d) leasing transactions; and
(e) underwriting on a best-efforts basis of corporate debt and quasi-equity instruments. The terms and conditions of CIFI's investments in a particular venture will depend on the risk/reward profile of the proposed venture.

6.05 CIFI's Investment Instruments: Senior Loans: CIFI loans must rank on a par, regarding debt service and security with other loans. Both fixed rate and variable rate loans will be offered. Spreads over LIBOR will reflect the following: cost of CIFI funds, macro risk (country), micro risk (project risk), supply market circumstances, as well as risk/return criteria. Both the payment of interest and amortisation of principal will generally be on a quarterly or semi-annual basis. Loans will be denominated in US dollars (USD).

6.06 Security: Coverage with real assets of between 140% and 200% of loan amounts financed by CIFI and on the basis of external and independent valuation of the assets to be used as security. On a case-by-case basis, sponsor guarantees, escrow accounts, and other liquidity and technical support arrangements in case of project difficulties may compensate for lower-than-normal real asset coverage.

APPENDIX 2.5

CORPORACION INTERAMERICANA PARA EL FINANCIAMIENTO DE INFRAESTRUCTURA (CIFI)
HISTORICAL AUDITED BALANCE SHEET STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017-21

This information is withheld in accordance with one or more of the exceptions to disclosure under the Bank's Information Disclosure Policy.

APPENDIX 2.6

HISTORICAL AUDITED INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017-21

This information is withheld in accordance with one or more of the exceptions to disclosure under the Bank's Information Disclosure Policy.

APPENDIX 2.7

HISTORICAL AUDITED STATEMENTS OF CASH FLOW FOR THE YEARS ENDED DECEMBER 31, 2017–21

This information is withheld in accordance with one or more of the exceptions to disclosure under the Bank's Information Disclosure Policy.

APPENDIX 2.8

SUMMARY MEASUREMENT OF FINANCIAL PERFORMANCE BY CAPITAL ADEQUACY, ASSET QUALITY, MANAGEMENT, EARNINGS, LIQUIDITY AND SENSITIVITY TO MARKET RISK FRAMEWORK

Measure	Meaning	CIFI Performance
Capital Adequacy	The CAR measures a bank's financial strength by using its capital and assets. It is used to protect depositors and promote the stability and efficiency of financial systems. Generally, a bank with a high capital adequacy ratio is considered safe and likely to meet its financial obligations. The formula is Core capital to total risk adjusted assets.	The Asset and Liability Committee (ALCO), recommends to the Risk Committee updates to the Capital Adequacy policy which ultimately is approved by the Board of Directors. Since 2018, CIFI has adopted a Standardised Approach of Basel II. The required capital adequacy ratio established by the Board is 12.50% (previously 20.0%) and CIFI's capitalisation consistently delivers a CAR in excess of the benchmark minimum of 8% during the years analysed. This ratio is indicative that CIFI is a safe FI and is likely to meet its financial obligations.
Asset Quality	A bank or FI is said to have good quality assets if loans given out by it are being repaid on time. Bad quality assets include loans that are not being paid on time.	Arising from the changes in its accounting standards during 2018, CIFI adopted the International Financial Reporting Standards (IFRS). One of the changes is the model used for the calculation of 'incurred losses' under previous International Accounting Standards (IAS39) was replaced with a forward-looking 'expected credit losses' (ECL) model under IFRS9. As of December 31, 2021, the non-performing loan ratio (NPL) is 4.9% (compared to 2.6% as of December 31, 2020) which is still better than the financial sector's benchmark maximum of 5%. The quality of the loan portfolio has been the norm at CIFI.
Management	This is an assessment of the quality of the BOD, senior managers, operating policies, and how effectively these policies are enforced for the successful operation of CIFI.	The members of CIFI's BOD and senior management are well experienced and academically qualified. CIFI has in place policies that are kept up to date to respond to changing market conditions and standards including governance and delegation of duties.
Earnings	The ROA is the key measure of the earnings of FIs and there is the benchmark for a minimum ROA of 1%.	CIFI has successfully exceeded this benchmark in the review period 2017-21 maintaining an average of 2.1% during the period reviewed. This indicates CIFI's efficient use of its capital and other resources.

Liquidity	This is the ability to convert assets into cash.	Due to the disruptions caused by the COVID-19 pandemic, CIFI activated a Contingency Liquidity Plan (CLP). The CLP mechanism triggers an extension of liquidity from six months to one year to cover debt repayments, committed loan disbursements, and operating expenses. CIFI also increased its cash position, and continues to maintain a robust level of liquidity, exceeding the normal cash requirements.
Sensitivity to Market Risk	Through this parameter, CIFI's sensitivity towards changing market conditions and how they are likely to affect the Corporation and its operations is checked.	Guided by its policies, and in particular its Credit Policy, the management of CIFI continues to follow conservative policies for new loans regarding interest and principal reserve accounts, sponsor support guarantees, and disbursing new transactions on a selective basis.

APPENDIX 2.9

CIFI'S HISTORICAL FINANCIAL AND OPERATING RATIOS FOR THE YEARS ENDED DECEMBER 31, 2017–21

This information is withheld in accordance with one or more of the exceptions to disclosure under the Bank's Information Disclosure Policy.

APPENDIX 2.10

DEFINITIONS OF FINANCIAL RATIOS

Term	Definition of Term
DSCR	Earnings before interest plus non-cash expenses and principal collections on long-term loans divided by annual debt service requirement (that is, financial expenses plus principal repayment on long-term borrowings).
Interest Coverage Ratio	Net operating income plus financial expenses divided by financial expenses.
Debt/Equity Ratio	Total debt divided by capital and reserves.
Average Cost of Borrowed Funds	Financial expenses as a percentage of average borrowed funds.
Annual Asset Growth	Change in total assets as a percentage of total assets for previous year.
ROA	Net surplus before appropriations as a percentage of average assets.
ROE	Net income as a percentage of average equity.
Arrears Ratio	Total arrears of principal and interest as a percentage of total loans outstanding.
Total Assets Ratio	Total assets as a percentage of equity.
Total Collections Ratio	Cash collections of principal and interest as a percentage of total collectibles (past due amount and current amounts collectible).
Current Collection Ratio	Cash collection of principal and interest on current amounts collected as a percentage of current amounts collectible.
Net Interest Margin	Interest Income less Interest Expense as a percentage of Average Total Assets.
Liquid Asset Ratio	Cash and Cash Equivalents as a percentage of Total Assets.
Loans to Total Assets	Net Loans divided by Total Assets.
Capital Adequacy Ratio	Capital times one hundred divided by Risk-weighted Assets.
Contamination Ratio or Portfolio at Risk	Value of loans with arrears times 100 divided by value of total loans outstanding.
Average Yield on Loans	Interest on loans divided by gross loans.

APPENDIX 3.1

INDICATIVE INFRASTRUCTURE PROJECTS FOR FINANCING IN CDB's BMCs AS AT DECEMBER 31, 2021
($'000)

Country	Sub-sector	Description	Total Investment Cost (mn)	CIFI's Participation (mn)	Term (Years)
Saint Lucia	EE	Public LED lightning	26.3	10	7

APPENDIX 3.2

LIST OF REPORTS FOR SUBMISSION TO CDB

Details of Reports		Frequency
1.	Copies of unaudited consolidated, financial statements for each quarter.	Quarterly: within 45 days after the end of each financial quarter and signed by the CFO.
2.	A report providing information with respect to compliance with certain negative and financial covenants.	Quarterly: within 45 days after the end of each financial quarter and signed by the CFO.
3.	A portfolio report regarding its: (a) operations, approvals, disbursement, collections; (b) schedule of sub-borrowers in arrears; (c) breakdown of outstanding loan portfolio by performing and NPLs; and (d) pipeline of subprojects.	Semi-annually: within 45 days after the end of each financial quarter and signed by the CFO.
4.	A report from the auditors providing information with respect to compliance with financial covenants.	Quarterly: within 45 days after the end of each financial quarter and signed by the CFO.
5.	Copies of audited consolidated financial statements for each financial year, together with the auditors' report on them.	Annually: within 120 days after the end of each financial year.
6.	A copy of the management letter and any other communication sent by the auditors to CIFI commenting on its financial, accounting and other systems, management or accounts.	Promptly following receipt.
7.	A report reviewed by its external auditors concerning compliance with the financial covenants and including a clear methodology of the calculation of such covenants.	Quarterly: within 45 days after the end of each financial quarter and signed by the CFO.
8.	A report on: (a) CIFI’s exposures by aging and risk classification; (b) securities in CIFI’s held to maturity portfolio and its short-term instruments; and (c) number of staff and other financial and business information including operating budget for the next financial year.	Semi-annually: within 45 days after the end of each financial quarter and signed by the CFO.

	Details of Reports	Frequency
9.	An annual operations review describing, in addition to quarterly and annual data, major activities and changes affecting CIFI in terms of macroeconomic conditions, markets, shareholders, management, technology, strategy, financial condition, operations and development impact.	Annually: within 120 days after the end of each financial year and signed by the CFO.
10.	A social and environmental performance report in a form agreed with CDB and notifies CDB of any material social, labour, health and safety, security or environmental incidents, accidents or circumstances relating to any sub-borrower.	Annually: within 120 days after the end of each financial year and signed by the CFO.

APPENDIX 3.3

FINANCIAL ASSUMPTIONS

This information is withheld in accordance with one or more of the exceptions to disclosure under the Bank’s Information Disclosure Policy.

APPENDIX 3.4

AUDITED 2021, AND PROJECTED BALANCE SHEET STATEMENTS FOR THE YEARS ENDING DECEMBER 31, 2022−25

This information is withheld in accordance with one or more of the exceptions to disclosure under the Bank's Information Disclosure Policy.

<u>**APPENDIX 3.5**</u>

AUDITED 2021 AND PROJECTED INCOME STATEMENTS FOR THE YEARS ENDING DECEMBER 31, 2022−25 ($'000)

This information is withheld in accordance with one or more of the exceptions to disclosure under the Bank's Information Disclosure Policy.

AUDITED 2021AND PROJECTED CASH FLOW STATEMENTS FOR THE YEARS ENDING DECEMBER 31, 2022−25

This information is withheld in accordance with one or more of the exceptions to disclosure under the Bank’s Information Disclosure Policy.

APPENDIX 3.7

AUDITED 2021PROJECTED FINANCIAL AND OPERATING RATIOS
FOR THE YEARS ENDING DECEMBER 31, 2022−25

This information is withheld in accordance with one or more of the exceptions to disclosure under the Bank's Information Disclosure Policy.

APPENDIX 3.8

IMPLEMENTATION SUPPORT PLAN

1. The Caribbean Development Bank (CDB) is well placed to provide implementation support, based on its considerable experience in the supervision of Lines of Credit (LOCs) in the Region. The implementation support to be provided will include:

(a) reviewing implementation progress and achievement of project outcomes;

(b) addressing implementation issues;

(c) monitoring systems to ensure their continued adequacy through monitoring reports, audit reports and field visits; and

(d) monitoring changes in risks and compliance with legal agreements as needed.

2. The Implementation Support Plan will be reviewed at least once a year to ensure that it continues to meet the implementation support needs of the project. In addition to reviewing implementation progress, the Implementation Support Plan aims at providing technical support to the Borrowing Member Country (BMC) in the achievement of the results.

3. The Plan has been developed based on the risk profile of the project with particular focus on the capacity risk as well as the traditional supervision focus areas of financial management, and good corporate governance.

Strategy and Approach for Implementation Support

4. Supervision of the Project will be undertaken by a team led by the supervision coordinator from the Private Sector Development Unit and including as required, operations officers with specific responsibilities for Environmental and Social Analyses. Formal supervision and field visits will be undertaken at least annually.

5. The first formal supervision activity will be a Project Launch Workshop (PLW). The objective of the PLW is to review the implementation arrangements, train the project management staff in the use of CDB's guidelines for disbursement and discuss project supervision issues. The PLW will also include one half-day training on environmental and social screening for credit officers. PLW is scheduled for the third quarter of 2022. Arrangements for PLW will be finalised after the confirmation by Legal Counsel that the loan and guarantee agreements are effective.

6. The supervision coordinator will coordinate CDB's team to ensure that project implementation is consistent with the requirements as specified in the Terms and Conditions and other legal documents. The supervision team will prepare annual Project Supervision Reports identifying the status of project implementation and any issues requiring the resolution of management.

TABLE 1: IMPLEMENTATION SUPPORT STAFF SKILLS REQUIREMENTS

Activities	Staff	Approximate Time (Month/Year)	Staff Requirements
Follow-up and verify satisfaction of conditions precedent to first disbursement.	2		PSDU; Legal Department, CDB.
Project Launch Workshop.	5		CDB Appraisal Team.
Process Disbursement Claims.	2	Ongoing	PSDU and Procurement Unit CDB.
Through desk and field supervision, review operations of CIFI in terms of compliance with loan conditions, loan portfolio quality, operational policies and procedures, financial performance, execution and management of existing and new lines of credit.	3	Ongoing	PSDU, CDB.
Undertake at least two supervision visits p.a.	2	Ongoing	PSDU, CDB.
Exit Interview and PCR.	5		CDB Appraisal Team.

APPENDIX 3.9

CDB's ELIGIBILITY CRITERIA FOR DEVELOPMENT FINANCE INSTITUTIONS

External Audit

1. Existence of an audit report on the financial condition of the Development Finance Institution (DFI) carried out by qualified independent auditors.

Quality of Organisation, Management and Staffing

2. (a) Assurance of managerial autonomy.

   (b) Satisfactory organisational and staffing arrangements to assess and manage credit risks associated with long-term lending.

   (c) Adequate operating policies and procedures.

Accounting Policies

1. The FI's accounting policies should be appropriate for a FI and have sound rules for the classification of performing and Non-performing Loan (NPLs), loan provisioning, rescheduling, bad-debt write-off and the recognition of interest and other income.

Financial Condition

4. The NPL portfolio should be adequately covered by loan loss provisions.

5. The cash collection ratio on loans should be sufficiently high that liquidity is not adversely affected.

6. Debt-service coverage should not normally be less than 1.25 times.

7. The ratio of total debt-to-equity should not normally exceed 4:1.

8. Normally a minimum ROA of 1%.

Other Criteria

9. (a) Appropriate onlending interest rates to cover all of the FIs expenses including allowances for risks on its various categories of lending. Interest rates should be positive in real terms and in line with market rates.

   (b) Specific plans, where feasible, for the mobilisation of domestic savings to reduce dependence on loan funds, both local and foreign, and also to improve the financial discipline of the institutions.

10. Willingness of FIs to become involved in financing working capital, both as a means of improving the services provided and to assist in diversifying the maturity structure of the loan portfolios. Success in domestic resource mobilisation would facilitate such portfolio diversification.

ARTICLE OF CONTINUANCE OF CIFI

Registro Público de Panamá

FIRMADO POR: ANA FELICIA MEDINA ESCUDERO
FECHA: 2020.05.27 10:12:32 -05:00
MOTIVO: SOLICITUD DE PUBLICIDAD
LOCALIZACION: PANAMA, PANAMA

AnaFelicia Medina

CERTIFICADO DE PERSONA JURÍDICA

CON VISTA A LA SOLICITUD
122663/2020 (0) DE FECHA 05/26/2020
QUE LA SOCIEDAD

CORPORACIÒN INTERAMERICANA PARA EL FINANCIAMIENTO DE INFRAESTRUCTURA, S.A. (CIFI)
TIPO DE SOCIEDAD: SOCIEDAD ANONIMA
SE ENCUENTRA REGISTRADA EN (MERCANTIL) FOLIO Nº 731744 (S) DESDE EL LUNES, 04 DE ABRIL DE 2011
- QUE LA SOCIEDAD SE ENCUENTRA VIGENTE

- QUE SUS CARGOS SON:
SUSCRIPTOR: NO CONSTA.
SUSCRIPTOR: NO CONSTA.
AGENTE RESIDENTE: ALEMAN, CORDERO, GALINDO & LEE
DIRECTOR: PER AAGE JACOBSEN
DIRECTOR: JAVIER ESCORRIOLA (CHAIR DE LA JUNTA DIRECTIVA)
DIRECTOR: MAURICIO ORELLANA
DIRECTOR: JOAQUIM SALDANHA DE ROSARIO E SOUZA
DIRECTOR: JUDITH DE BARANY
TESORERO: ARTURO DE BERNARD
DIRECTOR: PERTTI NURMIO
DIRECTOR: ALISON HARWOOD
DIRECTOR: CARLOS E. SANCHEZ
PRESIDENTE: CESAR CAÑEDO-ARGÜELLES
SECRETARIO: JOSÉ HUMBERTO SALAVERRIA

- QUE LA REPRESENTACIÓN LEGAL LA EJERCERÁ:
EL REPRESENTANTE LEGAL DE LA COMPAÑIA SERA EL PRESIDENTE, O EN SU AUSENCIA EL VICEPRESIDENTE O EL SECRETARIO, LOS QUE PODRAN ACTUAR MANCOMUNADAMENTE O SEPARADAMENTE..

- QUE SU CAPITAL ES DE 85,000,000.00 DÓLARES AMERICANOS
- DETALLE DEL CAPITAL:
EL CAPITAL AUTORIZADO DE LA SOCIEDAD ES LA SUMA DE OCHENTA Y CINCO MILLONES DE DOLARES (US$ 85,000,000.00), MONEDA DE CURSO LEGAL EN LOS ESTADOS UNIDOS DE AMERICA, DIVIDIDO EN OCHENTA Y CINCO MILLONES (85,000,000) DE ACCIONES COMUNES ACCIONES CON UN VALOR NOMINAL DE UN DOLAR (US$ 1.00) POR ACCION. LAS ACCIONES DEBEN SER EMITIDAS UNICAMENTE EN FORMA NOMINATIVA.
ACCIONES: NOMINATIVAS

- QUE SU DURACIÓN ES PERPETUA
- QUE SU DOMICILIO ES PANAMÁ , PROVINCIA PANAMÁ

ENTRADAS PRESENTADAS QUE SE ENCUENTRAN EN PROCESO

NO HAY ENTRADAS PENDIENTES

EXPEDIDO EN LA PROVINCIA DE PANAMÁ EL MIÉRCOLES, 27 DE MAYO DE 2020A LAS 10:11 A.M..

NOTA: ESTA CERTIFICACIÓN PAGÓ DERECHOS POR UN VALOR DE 30.00 BALBOAS CON EL NÚMERO DE LIQUIDACIÓN 1402603424