

14 November 2023

Dear Governors of the Central American Bank for Economic Integration,

We, Transparency International and its chapters in ten countries, are writing with an urgent appeal following new investigations into the Central American Bank for Economic Integration (CABEI). We are deeply concerned about the revelations that the bank, which should promote socio-economic development across Central America, is currently failing to deliver on its crucial mission. As you meet to elect a new executive president on 17 November, we urge you to also discuss the serious failings that have come to light over the past two weeks and their implications.

The [results of a year-long investigation into CABEI](#) by the Organized Crime and Corruption Reporting Project (OCCRP), the Columbia Journalism School and Redacción Regional point to systemic governance failings and questionable decision-making by the bank, often with devastating consequences. Some of these failures have been known for some time, while others have been reported for the first time.

For example, the investigations highlight cases where CABEI funds were misused by governments with little accountability, even as they were diverted from the loans' stated goals. In at least one case, a government reportedly went against the explicit clauses of the agreements. When loans are grossly mismanaged, borrowing countries are left worse off, and their future economic sustainability becomes ever more uncertain.

We would like to alert you that journalists have also uncovered previously unknown breaches and possible cases of corruption in the procurement processes – both at the bank and as part of the loans given out by CABEI. In one case, according to the documents seen by journalists, CABEI directors were bribed to ensure a specific contractor was chosen by the government. The investigations also allege that CABEI funds were used to pay bribes to national-level officials to bypass their own procurement rules. Investigations also highlight examples of clear conflicts of interest in loan disbursements to people connected to the bank, and examples of conflicts of interest in the selection of consultants.

It is alarming that, in many cases, the bank seems to have failed to conduct appropriate due diligence on contractors and loan recipients before approving the loans. In some other cases, however, internal audit documents reviewed by journalists show that risks and red flags had been flagged but ignored. This was reportedly the case when it comes to the ill-fated Agua Zarca dam in Honduras, the construction of which was met with fierce resistance from environmental activists. The tragic killing of an activist – for which the president of the company that received the CABEI loan was convicted by a Honduran court last year – should have been a wake-up call and prompted the bank to fundamentally overhaul its systems. Instead, CABEI sold off the failed project's debt under highly suspicious circumstances.

We understand that the Board of Governors have recently resolved to elect a new executive president, signalling the beginning of a new chapter for CABI. However, we are united in the view that this alone will not suffice to address the myriad problems highlighted in recent reporting, as many of the alleged failings predate the outgoing Executive President Dante Mossi's tenure.

To ensure accountability for past mistakes and to prevent abuses going forward, Transparency International calls on you to:

- 1. Order an independent investigation.** In light of the serious allegations, we believe the Board of Governors should request a full independent external investigation into CABI's operations going back at least ten years. Confirmed breaches of internal rules should be adequately sanctioned. Possible violations of law should be referred to the law enforcement authorities of the countries concerned.
- 2. Review past and current projects.** The Board of Governors should order an immediate review of all projects supported and funded by CABI. Projects for which there are concerns should be audited.
- 3. Pause disbursements.** We urge you to pause all lending or disbursements related to the ongoing projects highlighted by the investigations until such time that they have been audited and audit findings are sufficiently addressed.
- 4. Embed anti-corruption safeguards.** Going forward, we urge you to ensure that projects supported and funded by CABI contain a mandatory, robust oversight mechanism for the bank to monitor implementation of anti-corruption clauses and conditions. Poor performance should be penalised and lead to termination.
- 5. Commence systemic reforms.** There should be a commitment from the Board of Governors and the new executive president, once they take office, to undertake a thorough review and reform of CABI's corporate governance system, focusing on appointments, integrity and accountability.
- 6. Enhance public debt transparency.** CABI should disclose detailed information regarding the loans they issue. The bank should also assist civil society in the borrowing countries to retrieve relevant information regarding loan agreements.

At this crucial moment in CABI's history, we believe that it falls on the bank's Board of Governors to pave the way for accountability and future reforms.

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