

Central American Bank for Economic Integration

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Introduction

In 2023, the Central American Bank for Economic Integration (“CABEI”) issued its fifteenth social bond – in tranches of USD 85.38 million and USD 116.08 million – raising USD 201.46 million in the Mexican market (the “2023 Mexican Fourth Social Bond”) to finance and refinance projects intended to deliver positive social outcomes in Honduras, Nicaragua, Costa Rica, Argentina and Dominican Republic. In 2024, CABEI engaged Sustainalytics to review the projects financed with proceeds from the 2023 Mexican Fourth Social Bond (the “Nominated Expenditures”) and provide an assessment as to whether they meet the use of proceeds criteria and whether CABEI complied with the reporting commitments in the CABEI Social Bond Framework (the “Framework”).¹ Sustainalytics provided a Second-Party Opinion on the Framework in January 2021.²

Evaluation Criteria

Sustainalytics evaluated the Nominated Expenditures and CABEI’s reporting based on whether they:

1. Meet the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs³

Use of Proceeds Category	Sub-category	Eligibility Criteria	Key Performance Indicators
Access to Essential Services	Health systems development	<ul style="list-style-type: none"> – Financing construction, operation, maintenance, improvement and/or purchase of equipment for public hospitals and other public healthcare institutions. – Support to modernization and operational efficiency improvements of non-profit Health Philanthropic Institutions. – Financing construction, maintenance, improvement and/or purchase of equipment for private hospitals and other private healthcare institutions which provide free or subsidized access to vulnerable communities (living below poverty line, excluded and/or marginalized populations, people with disabilities, unemployed, underserved). 	<ul style="list-style-type: none"> – Number of hospitals, clinics and other healthcare facilities built or upgraded – Number of hospital beds financed – Annual hospitalization and inpatient care capacity (patient-days/year) – Annual capacity of surgical care (surgeries/year) – Annual capacity of outpatient care (outpatient care/year) – Annual amount of non-patented medicines and

¹ CABEI, “CABEI Social Bond Framework”, (2020), at: https://www.bcie.org/fileadmin/bcie/espanol/archivos/novedades/publicaciones/institucionales/Final_SBF_CABEI_FINAL.pdf

² Sustainalytics, “Second-Party Opinion, CABEI Social Bond Framework”, (2021), at: https://www.bcie.org/fileadmin/bcie/espanol/archivos/novedades/publicaciones/institucionales/Central_American_Bank_for_Economic_Integration_SPO_FINAL-1.pdf

³ The Nominated Expenditures are in the categories Access to Essential Services, Employment Generation, Affordable Basic Infrastructure, and Food Security and Sustainable Food System.

		<ul style="list-style-type: none"> – Financing Public-Private Partnership (PPP) and public concession operations related to public health services. – Production of non-patented medicines and vaccines developed and/or distributed by the country's public healthcare system or relate to new infectious diseases and pandemic outbreaks. – Enhance the capacity of healthcare infrastructure, institutions and health workers, to better face infectious diseases and/or pandemics. 	<p>vaccines produced and distributed (doses/year)</p> <ul style="list-style-type: none"> – Number of patients reached – Number of public beds/ numbers of total (public and non-public) beds financed (%)
	Education and vocational training and infrastructure improvement	<ul style="list-style-type: none"> – Construction, refurbishment and/or expansion of nursery, as well as primary and early childhood public education units. – Construction, refurbishment and ampliation expansion of public schools. – Construction, refurbishment and expansion of public universities or tertiary education facilities. – Construction, refurbishment and expansion of supporting facilities and equipment in public educational institutions, such as sports and arts facilities. – Construction, refurbishment and expansion of private primary, secondary or tertiary education facilities in municipalities with HDI below the country's average and that offers free or subsidized educational services to vulnerable communities. – Scholarship program initiatives for underserved population, assuring access to quality education and development. – Technical training for teachers and staff to improve the supply of qualified staff. 	<ul style="list-style-type: none"> – Number of schools and other education facilities supported - constructed, upgraded or connected to the internet – Number of electronic devices for educational use purchased – PCs, chrome books and tablets – Number of training and experimentation spaces in technologies for teachers created – Number of spaces dedicated to students for pedagogical use of technology implemented or modernized – Number of students reached – Number of public facilities per number of total education facilities financed (%)
Employment Generation	Micro, small and medium enterprises financing	<ul style="list-style-type: none"> – Credit facilities, preferential interest rate loans, grants for planning, expansion through franchises, building new warehouses and/or small manufacturing units, purchase of machinery and equipment to increase productivity for MSMEs, particularly those in the most vulnerable sectors in the Central American region (tourism, manufacturing, agriculture, transportation, etc.), and/or regions greatly impacted by natural disasters and/or pandemics. – Long-term working capital and credit to balance cash flow and support unforeseen expenses to micro and small business. – Poverty alleviation, employment programs and other programs that contribute directly to the stimulation of sustainable economic activity. – Financing towards programs, projects or initiatives that support the preservation of employment levels in sectors of MSME's directly or indirectly impacted by natural and human disasters or pandemics 	<ul style="list-style-type: none"> – Number of financed small and micro enterprises – Estimated number of jobs created or maintained

Affordable Basic Infrastructure	Social Housing	<ul style="list-style-type: none"> – Social housing projects and programs targeted towards the most vulnerable population, and projects that support rural housing developments. – Renovation, maintenance and improvements of social housing projects for vulnerable populations. – Projects under the Sustainable Housing Program (VIDHAS).⁴ 	<ul style="list-style-type: none"> – Number of housing units developed – New population with access to social housing (habitants)
Food Security and Sustainable Food System	Access to adequate food for low-income populations	<ul style="list-style-type: none"> – Credit facilities, preferential interest rate loans, grants for planning and/or expansion of agricultural crops, distribution of production, building of supporting facilities, purchase of machinery and equipment to increase productivity and/or reduce environmental impacts for agricultural MSMEs to promote access of vulnerable populations to food products. CABEI will promote the adoption of sustainable practices among the beneficiaries of these projects. – Food security and enhanced nutrition projects and programs targeted towards the most vulnerable population. 	<ul style="list-style-type: none"> – Food produced (tonne) – Irrigated agricultural area (hectares or km²) – Population with access to adequate food (habitants)

Issuer's Responsibility

CABEI is responsible for providing accurate information and documentation relating to the details of the projects, including descriptions, amounts allocated and impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from CABEI's 2023 Mexican Fourth Social Bond. The work undertaken as part of this engagement included collection of documentation from CABEI and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by CABEI. Sustainalytics is not responsible, nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by CABEI.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,⁵ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the Nominated Expenditures do not conform with the use of proceeds criteria and reporting commitments in the Framework. CABEI has disclosed to Sustainalytics that the proceeds from the 2023 Mexican Fourth Social Bond were fully allocated as of July 2024.

⁴ CABEI Corporate Website, "Sustainable Housing and Habitat Development Program (VIDHAS)", at:

<https://www.bcie.org/novedades/noticias/articulo/un-potente-programa-enfocado-en-la-integracion-de-la-vivienda-y-su-entorno>

⁵ Sustainalytics' limited assurance process includes reviewing documentation relating to details of projects, as provided by the issuing entity, which is responsible for providing accurate information. These may include descriptions of projects, estimated and realized costs, and reported impact. Sustainalytics has not conducted on-site visits to projects.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of projects to determine alignment with the use of proceeds criteria outlined in the Framework.	The Nominated Expenditures comply with the use of proceeds criteria.	None
Reporting Criteria	Verification of projects or assets to determine if impact was reported in line with the KPIs outlined in the Framework.	CABEI reported on at least one KPI per use of proceeds category.	None

Appendix

Appendix 1: Allocation and Reported Impact

The net proceeds of the 2023 Mexican Fourth Social Bond have been allocated to six projects. Out of the total proceeds (USD 201.45), 58.22% (USD 117.29 million) was allocated to financing new projects and 41.78% (USD 84.17 million) was allocated to refinancing existing projects.

Table 3: Allocation Reporting and Reported Impact for the 2023 Mexican Fourth Social Bond ^{6,7,8}

Use of Proceeds Category	Sub-category	Project Description	Social Impact Reported	Allocation (USD million)
Access to Essential Services	Health systems development ⁹	Hospital Network Support Programme (PARH) in Honduras: Support the health network through the design, construction, equipment, and commissioning of two hospitals that provide services, in order to improve the health of the population of Choluteca and Tocoa in the Republic of Honduras, in line with the priorities of the Honduran Ministry of Health (SESAL).	<ul style="list-style-type: none"> – 2 healthcare facilities built or upgraded – 78,413 m² area of healthcare facilities built or upgraded – 25 regional medical facilities upgraded to provide specialized treatment – 8,695 annual capacity for surgeries – 514,870 annual capacity of patient care 	31.85 ¹⁰
		Hospital Infrastructure and Equipment Renewal Programme in Costa Rica: The programme consists of investments in three hospitals: a) Dr. Rafael Angel Calderón Hospital b) La Anexión Hospital and c) the Monsignor Sanabria Hospital.	<ul style="list-style-type: none"> – 2 healthcare facilities built or upgraded – 78,413 m² area of healthcare facilities built or upgraded – 604 hospital beds – 1,570,000 annual capacity of patient care 	4.13 ¹¹
		Multisectoral Programme for Economic Reactivation and Social Protection (NIC-Solidarity) in Nicaragua: Support immediate care for COVID-19, care for vulnerable groups, and economic reactivation, through total or partial financing of public investment programmes and projects, productive investment, and social spending.	<ul style="list-style-type: none"> – 1 healthcare facility built or upgraded – 19 regional medical specialties upgraded – 6,361 units of medical equipment bought or replaced – 360 hospital beds 	9.39 ¹¹

⁶ The reporting period is June 2023 to August 2024.

⁷ Expected impact. CABEL intends to report on actual impact once the projects are complete.

⁸ CABEL has communicated to Sustainalytics that there is no double counting of the Nominated Expenditures.

⁹ Healthcare facilities are public hospitals that provide free or subsidized healthcare services.

¹⁰ This is the sum of USD 30.65 million (Tranche 2) and USD 1.2 million (Tranche 1).

¹¹ Amount associated with the second tranche of the 2023 Mexican Fourth Social Bond.

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	Education and vocational training and infrastructure improvement	Multisectoral Programme for Economic Reactivation and Social Protection (NIC-Solidarity) in Nicaragua: Support immediate care for COVID-19, care for vulnerable groups, and economic reactivation, through total or partial financing of public investment programmes and projects, productive investment, and social spending. ¹²	<ul style="list-style-type: none"> – 12 educational facilities upgraded – 2,663 beneficiary teachers and students 	3.23 ¹⁵
Employment Generation	Micro, small and medium enterprises financing	Programme for economic reactivation through MSMEs in the COVID-19 crisis and post-crisis in Honduras: Reactivate the country's economy, affected by the COVID-19 crisis, through access to credit and guarantees, under favourable conditions, for Honduran MSMEs. Among the specific objectives of the programme are: i) sustaining jobs in MSMEs for the period affected by the COVID-19 crisis and post-crisis; ii) support for micro and small businesses in areas of extreme poverty through targeted access to financing and improvement of working conditions in such areas; iii) reactivate the activities of MSMEs once the State of Emergency measures are suspended; and iv) facilitate financing access for MSMEs through the creation of a complementary guarantee fund. ¹³	<ul style="list-style-type: none"> – 97,723 loans to SMEs – 8,661 beneficiary enterprises – 58 beneficiary financial institutions¹⁴ – 73,227 beneficiary people from micro enterprises – 94,767 generated or preserved jobs 	41.40 ¹⁵
Affordable Basic Infrastructure	Social Housing	Multi-sectoral programme for economic reactivation and social protection (NIC-Solidarity) in Nicaragua: Support immediate care for COVID-19, care for vulnerable groups, and economic reactivation, through total or partial financing of public investment programmes and projects, productive investment, and social spending. ¹⁶	<ul style="list-style-type: none"> – 977 houses built – 977 beneficiary families¹⁷ 	0.44 ¹⁵
Food Security and Sustainable Food System¹⁸	Access to adequate food for low-income populations	Support programme for the 'National Plan against Hunger II' in Argentina: Contributing to the food security of socially vulnerable families in Argentina while complementing the resources	<ul style="list-style-type: none"> – 68,187 beneficiary children with disabilities – 65,642 beneficiary pregnant women – 3,873,972 beneficiary children 	84.17 ¹⁹

¹² CABEL has confirmed that these projects meet the Framework criteria: "destined to the public system or private institutions in municipalities with HDI below the country's average and that offer free or subsidized educational services to vulnerable communities".

¹³ CABEL has confirmed that the projects are located in areas where the HDI is below the average for Honduras, or in areas impacted by natural disasters or pandemics. MSMEs meet the following definitions: micro-enterprises with less than 10 employees; small enterprises with 10-49 employees; and medium-sized enterprises with 50-199 employees.

¹⁴ Intermediary financial institutions that on-lend to MSMEs.

¹⁵ Amount associated with the second tranche of the 2023 Mexican Fourth Social Bond.

¹⁶ Financing of social housing projects for vulnerable populations.

¹⁷ CABEL has confirmed that all 977 beneficiary families are vulnerable as per the Framework criteria.

¹⁸ CABEL has communicated to Sustainalytics that all projects financed under this category promote sustainable agricultural practices.

¹⁹ Amount associated with the first tranche of the 2023 Mexican Fourth Social Bond.

	dedicated to the food benefit of the Food Security and Sovereignty Axis. This programme aims to provide food assistance to socially vulnerable groups, including children, adolescents, pregnant women, and people with disabilities. Additionally, it supports the enhancement of food and nutritional security policies in the Central American region through the sharing of experiences and knowledge.	– 2,401,319 beneficiary families	
	Strengthening financing for the agricultural sector with a technological and sustainable approach in Dominican Republic: Promote the offer and orientation of agricultural credit among small and medium-sized farmers ²⁰ to implement productive initiatives for the improvement of the population's consumption level and the productivity of the agricultural sector, as well as the commercialization of agri-food products, in conditions of competitiveness and sustainability to strengthen with it the productive chains.	<ul style="list-style-type: none"> – 216,431 loans granted to agricultural SMEs – 13,561 beneficiaries – 372,000 tonnes reduction of annual crop losses – 2,000 tonnes reduction of annual post-harvest losses – 1,068 agricultural jobs generated and or preserved 	1.13 ²¹
	Multi-sectoral programme for economic reactivation and social protection (NIC-Solidarity) in Nicaragua: Support immediate care for COVID-19, care for vulnerable groups, and economic reactivation, through total or partial financing of public investment programmes and projects, productive investment, and social spending. ²²	<ul style="list-style-type: none"> – 41,195 ha cultivated area – 846 ha Irrigated area – 82 tonnes of agricultural production – 8,622.78 tonnes of small-livestock production (pig) – 113.63 tonnes of aquaculture production – 644 tonnes of commercialized poultry production – 17.04 tonnes of commercialized aquaculture production 	25.71 ²¹
Total Net Proceeds Allocated (USD million)²³			201.45
Total Unallocated Amount (USD million)			0
Total Net Proceeds Raised (USD million)			201.45

²⁰ CABEI has communicated to Sustainalytics that it defines small and medium farmers as those: i) that derive their primary source of income from their agricultural production unit; ii) that are responsible for the production and management of agricultural activities on the production unit regardless of land tenure system and occasionally employing labour for planting and harvesting; iii) that produce for self-consumption and sell any surplus in the market; and iv) that reside on or near the production unit. Additionally, a small producer owns a plot of approximately 0-3 ha, while a medium producer owns approximately 3-30 ha.

²¹ Amount associated with the second tranche of the 2023 Mexican Fourth Social Bond.

²² This expenditure involves small-scale farmers and is not associated with industrial-scale livestock production.

²³ CABEI allocated 58.22% (USD 117.29 million) of the net proceeds to financing new projects and 41.78% (USD 84.17 million) to refinance existing projects.

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