

# Central American Bank for Economic Integration

**Type of Engagement:** Annual Review

**Date:** 29 November 2024

**Engagement Team:**

Manali Vaidya, [manali.vaidya@sustainalytics.com](mailto:manali.vaidya@sustainalytics.com)

Sidharth P R, [sidharth.pr@morningstar.com](mailto:sidharth.pr@morningstar.com)

## Introduction

In 2023, the Central American Bank for Economic Integration (“CABEI”) issued its fourteenth social bond – in tranches of USD 199.43 million and USD 174.06 million – raising USD 373.49 million in the Mexican market (the “2023 Third Mexican Social Bond”) to finance and refinance projects intended to deliver positive social outcomes in El Salvador, Honduras, Nicaragua, Costa Rica and Argentina. In 2024, CABEI engaged Sustainalytics to review the projects financed with proceeds from the 2023 Third Mexican 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”).<sup>1</sup> Sustainalytics provided a Second-Party Opinion on the Framework in January 2021.<sup>2</sup>

## 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 KPIs<sup>3</sup>**

Use of Proceeds Category	Sub-category	Eligibility Criteria	Key Performance Indicators
Access to Essential Services	Health systems development	<ul style="list-style-type: none"> <li>– Financing construction, operation, maintenance, improvement or purchase of equipment for public hospitals and other public healthcare institutions.</li> <li>– Support to modernization and operational efficiency improvements of non-profit Health Philanthropic Institutions.</li> <li>– Financing construction, maintenance, improvement 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 or marginalized populations, people with disabilities, unemployed, underserved).</li> <li>– Financing Public-Private Partnership (PPP) and public concession operations related to public health services.</li> </ul>	<ul style="list-style-type: none"> <li>– Number of hospitals, clinics and other healthcare facilities built or upgraded</li> <li>– Number of hospital beds financed</li> <li>– Annual hospitalization and inpatient care capacity (patient-days/year)</li> <li>– Annual capacity of surgical care (surgeries/year)</li> <li>– Annual capacity of outpatient care (outpatient care/year)</li> <li>– Annual amount of non-patented medicines and</li> </ul>

<sup>1</sup> CABEI, “CABEI Social Bond Framework”, (2020), at: [https://www.bcie.org/fileadmin/bcie/espanol/archivos/novedades/publicaciones/institucionales/Final\\_SBF\\_CABEI\\_FINAL.pdf](https://www.bcie.org/fileadmin/bcie/espanol/archivos/novedades/publicaciones/institucionales/Final_SBF_CABEI_FINAL.pdf)

<sup>2</sup> 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](https://www.bcie.org/fileadmin/bcie/espanol/archivos/novedades/publicaciones/institucionales/Central_American_Bank_for_Economic_Integration_SPO_FINAL-1.pdf)

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

## Central American Bank for Economic Integration

		<ul style="list-style-type: none"> <li>– 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.</li> <li>– Enhance the capacity of healthcare infrastructure, institutions and health workers, to better face infectious diseases and/or pandemics.</li> </ul>	<ul style="list-style-type: none"> <li>vaccines produced and distributed (doses/year)</li> <li>– Number of patients reached</li> <li>– Number of public beds/numbers of total (public and non-public) beds financed</li> </ul>
	Education and vocational training and infrastructure improvement	<ul style="list-style-type: none"> <li>– Construction, refurbishment and/or expansion of nursery, as well as primary and early childhood public education units.</li> <li>– Construction, refurbishment and ampliation expansion of public schools.</li> <li>– Construction, refurbishment and expansion of public universities or tertiary education facilities.</li> <li>– Construction, refurbishment and expansion of supporting facilities and equipment in public educational institutions, such as sports and arts facilities.</li> <li>– 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.</li> <li>– Scholarship program initiatives for underserved population, assuring access to quality education and development.</li> <li>– Technical training for teachers and staff to improve the supply of qualified staff.</li> </ul>	<ul style="list-style-type: none"> <li>– Number of schools and other education facilities supported - constructed, upgraded or connected to the internet</li> <li>– Number of electronic devices for educational use purchased – PCs, chrome books and tablets</li> <li>– Number of training and experimentation spaces in technologies for teachers created</li> <li>– Number of spaces dedicated to students for pedagogical use of technology implemented or modernized</li> <li>– Number of students reached</li> <li>– Number of public facilities per number of total education facilities financed</li> </ul>
<b>Employment Generation</b>	Micro, small and medium enterprises financing	<ul style="list-style-type: none"> <li>– 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.</li> <li>– Long-term working capital and credit to balance cash flow and support unforeseen expenses to micro and small business.</li> <li>– Poverty alleviation, employment programs and other programs that contribute directly to the stimulation of sustainable economic activity.</li> <li>– 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.</li> </ul>	<ul style="list-style-type: none"> <li>– Number of financed small and micro enterprises</li> <li>– Estimated number of jobs created or maintained</li> </ul>
<b>Affordable Basic Infrastructure</b>	Rural Development (electrification)	<ul style="list-style-type: none"> <li>– Creation, expansion and/or maintenance of public access for electrical interconnectivity in rural areas.</li> </ul>	<ul style="list-style-type: none"> <li>– Installed capacity of rural electrification projects (MW or GW)</li> <li>– New population with access to energy (habitants)</li> </ul>

	Disaster prevention and economic recovery	<ul style="list-style-type: none"> <li>– Disaster risk prevention and response preparedness, including early warning systems.</li> <li>– Support activities struck by natural or human disasters. For instance, basic services restoration (supply of clean water, food and energy, medical assistance), operation of humanitarian shelters, health infrastructure and educational facilities.</li> <li>– Accessible and customized credit for businesses, with reduced rates and extended due dates, during health emergencies.</li> </ul>	<ul style="list-style-type: none"> <li>– Number of financed companies located in municipalities that suffered natural or environmental disasters</li> <li>– Number of vital infrastructures recovered after disasters</li> <li>– Number of refuges built</li> <li>– Number of early warning systems designed or adopted</li> <li>– Estimated number of jobs supported</li> <li>– Affected population benefited from recovery interventions (habitants)</li> <li>– Estimated avoided deaths (habitants)</li> </ul>
<b>Food Security and Sustainable Food System</b>	Access to adequate food for low-income populations	<ul style="list-style-type: none"> <li>– 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. CABEL will promote the adoption of sustainable practices among the beneficiaries of these projects.</li> <li>– Food security and enhanced nutrition projects and programs targeted towards the most vulnerable population.</li> </ul>	<ul style="list-style-type: none"> <li>– Food produced (tonne)</li> <li>– Irrigated agricultural area (hectares or km<sup>2</sup>)</li> <li>– Population with access to adequate food (habitants)</li> </ul>

## Issuer's Responsibility

CABEL 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 CABEL's 2023 Mexican Third Social Bond. The work undertaken as part of this engagement included collection of documentation from CABEL and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by CABEL. 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 CABEL.

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,<sup>4</sup> 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. CABEL has disclosed to Sustainalytics that the proceeds from the 2023 Mexican Third Social Bond were fully allocated as of July 2024.

## Detailed Findings

**Table 2: Detailed Findings**

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
<b>Use of Proceeds Criteria</b>	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
<b>Reporting Criteria</b>	Verification of projects or assets to determine if impact was reported in line with the KPIs outlined in the Framework.	CABEL reported on at least one KPI per use of proceeds category.	None

<sup>4</sup> 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.

## Appendix

### Appendix 1: Allocation and Reported Impact

The net proceeds of the 2023 Mexican Third Social Bond were allocated to nine projects. Out of the total amount raised (USD 373.49 million), 65% (USD 242.71 million) was allocated to financing new projects and 35% (USD 130.78 million) was allocated to refinancing existing projects.

**Table 3: Allocation Reporting and Reported Impact for the 2023 Mexican Third Social Bond** <sup>5,6,7</sup>

Use of Proceeds Category	Sub-category	Project Description	Social Impact Reported	Allocation (USD million)
Access to Essential Services	Health systems development <sup>8</sup>	Project to strengthen the attention capacity in the Hospital Service Network in prioritized health units in Nicaragua: Contribute to the reduction of mortality and infection rates of COVID19 and other endemic diseases.	<ul style="list-style-type: none"> <li>– 7 healthcare facilities built/upgraded</li> <li>– 11,714.00 m<sup>2</sup> area of healthcare facilities built or upgraded</li> <li>– 24,065 units of medical equipment bought or replaced</li> <li>– 6 new or upgraded medical specialties attended</li> <li>– 408 hospital beds</li> <li>– 157,625 annual capacity of patient care</li> </ul>	18.48 <sup>9</sup>
		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"> <li>– 2 healthcare facilities built or upgraded</li> <li>– 78,413 m<sup>2</sup> area of healthcare facilities built or upgraded</li> <li>– 25 new or upgraded medical specialties attended</li> <li>– 8,695 surgeries/year capacity</li> <li>– 514,870 annual capacity of patient care</li> </ul>	41.15 <sup>9</sup>
	Education and vocational training and infrastructure improvement	Programme for the construction of infrastructure and rescue of sports venues at the national level (PRODEPORTE) in El Salvador: Remodelling, construction, rehabilitation and modernization of 25 sports venues to enable the practice of 44 sports disciplines to help support individuals, prevent violence, improve health, and support athletes. With an inclusive approach, these sports facilities enable recreation for the public and are available for use of students from public education institutions for physical education, sports	<ul style="list-style-type: none"> <li>– 3 educational facilities built</li> <li>– 17,845.67 m<sup>2</sup> of area of educational facilities built</li> <li>– 22 educational facilities upgraded</li> <li>– 165,626.16 m<sup>2</sup> area of educational facilities upgraded</li> <li>– 110,190 beneficiary athletes</li> <li>– 130,701 beneficiary students with sports facilities</li> </ul>	25.00 <sup>9</sup>

<sup>5</sup> The reporting period is June 2023 to August 2024.

<sup>6</sup> Expected impact. CABEL intends to report on actual impact once the projects are complete.

<sup>7</sup> CABEL has communicated to Sustainalytics that there is no double counting of the Nominated Expenditures.

<sup>8</sup> Healthcare facilities are public hospitals in underserved regions with an HDI lower than the country's average.

<sup>9</sup> This amount is associated with the second tranche of the 2023 Third Mexican Social Bond.

		competitions and extracurricular sports activities. <sup>10</sup>		
		Emergency programme for the comprehensive and resilient reconstruction of infrastructure in Costa Rica: Restore economic productivity, recover educational activities and contribute to family stability by rebuilding the economic and social infrastructure affected by meteorological phenomena and that which is an imminent risk to human life. <sup>11</sup>	<ul style="list-style-type: none"> <li>– 69,793 m<sup>2</sup> of area of educational facilities built</li> <li>– 26,380 m<sup>2</sup> of area of educational facilities upgraded</li> <li>– 36 educational facilities built and upgraded</li> <li>– 42 classrooms rehabilitated</li> <li>– 11,405 beneficiary students</li> <li>– 360 beneficiary teachers</li> </ul>	77.98 <sup>12</sup>
<b>Employment Generation</b>	Micro, small and medium enterprises financing	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. <sup>13</sup>	<ul style="list-style-type: none"> <li>– 360 beneficiary SMEs or agricultural enterprises</li> <li>– 161 loans to SMEs or agricultural enterprises</li> </ul>	53.63 <sup>14</sup>
<b>Affordable Basic Infrastructure</b>	Rural Development (electrification)	Electricity Transmission System Expansion Programme in Nicaragua: Provide a reliable electric service with the necessary capacity to support the growth of electric demand in the municipality of Bluefields and surrounding areas. <sup>15</sup>	<ul style="list-style-type: none"> <li>– 68.15 km electric transmission and distribution lines</li> <li>– 3.67 MW energy load supply</li> <li>– 1 power substation built</li> <li>– 2,545 beneficiary families</li> </ul>	39.11 <sup>14</sup>
	Disaster prevention and economic recovery	Infrastructure and social accompaniment programme on the North Caribbean Coast in Nicaragua: Contribute to the improvement of the living conditions and security of the families and indigenous communities of the Municipality of Puerto Cabezas in the Autonomous Region of the North Caribbean Coast (RACCN) that were affected by Hurricane Félix, through the construction and rehabilitation of basic community infrastructure that can serve as a shelter in emergencies or natural disasters.	<ul style="list-style-type: none"> <li>– 11 facilities enabled for emergency response and care</li> <li>– 2 basic health facilities restored after disasters</li> <li>– 5 drinking-water facilities restored after disasters</li> <li>– 555 estimated number of jobs supported</li> <li>– 33,528 people in the affected population benefited from recovery interventions</li> </ul>	2.61 <sup>12</sup>
<b>Food Security and Sustainable Food System</b>	Access to adequate food for low-income populations <sup>16</sup>	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 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.	<ul style="list-style-type: none"> <li>– 68,187 beneficiary children with disabilities</li> <li>– 65,642 beneficiary pregnant women</li> <li>– 3,873,972 beneficiary children</li> <li>– 2,401,319 beneficiary families</li> </ul>	87.49 <sup>14</sup>

<sup>10</sup> Public facilities in public schools for: i) physical education; ii) national, departmental and local level sports competitions; and iii) extracurricular activities. The Ministry of Education and the National Institute of Sports of El Salvador has arrangements to ensure that students use these sport venues.

<sup>11</sup> Projects and programmes to enhance infrastructure and capacity of public schools.

<sup>12</sup> Amount associated with the second tranche of the 2023 Mexican Third Social Bond.

<sup>13</sup> CABEL has communicated to Sustainalytics that project is located in areas where the HDI is below the average for Nicaragua or in an area 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.

<sup>14</sup> Amount associated with the first tranche of the 2023 Mexican Third Social Bond.

<sup>15</sup> The Bluefields municipality has a sizeable rural population composed of Indigenous Peoples and African descendants who are economically vulnerable.

<sup>16</sup> CABEL has communicated to Sustainalytics that all projects financed under this category promote sustainable agricultural practices.

## Central American Bank for Economic Integration

	Additionally, it supports the enhancement of food and nutritional security policies in the Central American region through the sharing of experiences and knowledge.		
	Post-emergency rural recovery and development programme in Argentina: Contribute to sustaining and consolidating agro-productive, agro-industrial and service activities that generate income and employment for the rural and semi-rural population, in the context of the crisis defined as a post-emergency sanitary emergency by Covid-19.	<ul style="list-style-type: none"> <li>– 2,235 loans to agricultural SMEs</li> <li>– 6,016 beneficiaries</li> <li>– 581 beneficiary agricultural enterprises</li> <li>– 420 beneficiaries of technical assistance</li> <li>– 280 young producers trained</li> </ul>	8.85 <sup>17</sup>
	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. <sup>18</sup>	<ul style="list-style-type: none"> <li>– 41,195 ha of cultivated area</li> <li>– 846 ha of irrigated area</li> <li>– 82 tonnes of agricultural production</li> <li>– 8,622.78 tonnes of small livestock production (pigs)</li> <li>– 113.63 tonnes of aquaculture production</li> <li>– 644 tonnes of commercialized poultry production</li> <li>– 17.04 tonnes of commercialized aquaculture production</li> </ul>	19.20 <sup>19</sup>
<b>Total Net Proceeds Allocated (USD million)<sup>20</sup></b>			<b>373.49</b>
<b>Total Unallocated Amount (USD million)</b>			<b>0</b>
<b>Total Net Proceeds Raised (USD million)</b>			<b>373.49</b>

<sup>17</sup> Amount associated with the second tranche of the 2023 Third Mexican Social Bond.

<sup>18</sup> CABEL has communicated to Sustainalytics that this project supports small farmers to promote local food production and food security.

<sup>19</sup> Amount associated with the first tranche of the 2023 Mexican Third Social Bond.

<sup>20</sup> CABEL allocated 65% (USD 242.71 million) of the net proceeds to finance new projects and 35% (USD 130.78 million) to refinance existing projects.

## Disclaimer

**Copyright ©2024 Sustainalytics, a Morningstar company. All rights reserved.**

The information, methodologies, data and opinions contained or reflected herein (the “Information”) are proprietary to Sustainalytics and/or its third-party content providers and may be made available to third parties only in the form and format disclosed by Sustainalytics. The Information is not directed to, nor intended for distribution to or use by India-based clients and/or users, and the distribution of Information to India resident individuals and entities is not permitted.

The Information is provided for informational purposes only and (1) does not constitute an endorsement of any product, project, investment strategy or consideration of any particular environmental, social or governance related issues as part of any investment strategy; (2) does not constitute investment advice nor recommends any particular investment, nor represents an expert opinion or negative assurance letter; (3) is not part of any offering and does not constitute an offer or indication to buy or sell securities, to select a project nor enter into any kind of business transaction; (4) is not an assessment of the economic performance, financial obligations nor creditworthiness of any entity; (5) is not a substitute for professional advice; (6) has not been submitted to, nor received approval from, any relevant regulatory or governmental authority. Past performance is no guarantee of future results.

The Information is based on information made available by third parties, is subject to continuous change and no warranty is made as to its completeness, accuracy, currency, nor the fitness of the Information for a particular purpose. The Information is provided “as is” and reflects Sustainalytics’ opinion solely at the date of its publication.

Neither Sustainalytics nor its third-party content providers accept any liability in connection with the use of the Information or for actions of third parties with respect to the Information, in any manner whatsoever, to the extent permitted by applicable law.

Any reference to third party content providers’ names is solely to acknowledge their ownership of information, methodologies, data and opinions contained or reflected within the Information and does not constitute a sponsorship or endorsement of the Information by such third-party content provider. For more information regarding third-party content providers visit <http://www.sustainalytics.com/legal-disclaimers>

Sustainalytics may receive compensation for its ratings, opinions and other services, from, among others, issuers, insurers, guarantors and/or underwriters of debt securities, or investors, via different business units. Sustainalytics maintains measures designed to safeguard the objectivity and independence of its opinions. For more information visit [Governance Documents](#) or contact [compliance@sustainalytics.com](mailto:compliance@sustainalytics.com).

This deliverable, in particular the images, text and graphics contained therein, and the layout and company logo of Sustainalytics are protected under copyright and trademark law. Any use thereof shall require express prior written consent. Use shall be deemed to refer in particular to the copying or duplication of the opinion wholly or in part, the distribution of the opinion, either free of charge or against payment, or the exploitation of this opinion in any other conceivable manner.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

## About Morningstar Sustainalytics

Morningstar Sustainalytics is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds, which incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com).

