

Central American Bank for Economic Integration

Type of Engagement: Annual Review

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Introduction

In 2023, the Central American Bank for Economic Integration (“CABEI”) issued its thirteenth social bond, raising USD 67.73 million in the Japanese market (the “2023 Sports Bond”) to finance and refinance projects intended to improve access to education and vocational training in El Salvador. In 2024, CABEI engaged Sustainalytics to review the projects financed with proceeds from the 2023 Sports 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	Education and vocational training and infrastructure improvement	<ul style="list-style-type: none"> – Construction, refurbishment 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. 	<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 – computers, 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 (%)

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_S_PO_FINAL-1.pdf

³ The Nominated Expenditures are all in the Access to Essential Services category.

		<ul style="list-style-type: none"> – 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. 	
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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 Sports 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,⁴ 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 Sports Bond were fully allocated as of July 2024.

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

⁴ 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

Table 3: Allocation Reporting and Reported Impact for the 2023 Sports Bond^{5,6}

Use of Proceeds Category	Sub-category	Project Description	Social Impact Reported ⁷	Allocation (USD million)
Access to Essential Services	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 support individuals, prevent violence, improve health, and professionalize 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 competitions and extracurricular sports activities. ⁸	<ul style="list-style-type: none"> – 3 educational facilities built – 17,845.67 m² of area of educational facilities built – 22 educational facilities upgraded – 165,626.16 m² of area of educational facilities upgraded – 110,190 beneficiary athletes – 130,701 beneficiary students with sports facilities 	67.73
Total Net Proceeds Allocated (USD million)⁹				67.73
Total Unallocated Amount (USD million)				0
Total Net Proceeds Raised (USD million)				67.73

⁵ The reporting period is June 2023 to August 2024.

⁶ CABEL has communicated to Sustainalytics that there is no double counting of the Nominated Expenditures.

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

⁸ Sports venues are annexes to public educational institutions which use the venues. Furthermore, the Ministry of Education and the National Institute of Sports of El Salvador has arrangements to ensure that students use these sport venues for: i) physical education; ii) municipal, departmental and national level sports competitions; and iii) extracurricular sports activities.

⁹ CABEL allocated 32% (USD 21.80 million) of the net proceeds to finance new disbursements and 68% (USD 45.93 million) to refinancing.

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