Central American Bank for Economic Integration

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Introduction

In February 2021, the Central American Bank for Economic Integration ("CABEI") issued the "US 144A Benchmark Social Bond 2021" (the 2021 Social Bond) aimed at financing and refinancing healthcare and education-related projects. In January 2022, CABEI engaged Sustainalytics to review the projects funded through the 2021 Social Bond and provide an assessment as to whether the projects met the Use of Proceeds criteria, the Management of Proceeds and Reporting commitments outlined in its Social Bond Framework (the Framework).[1] Sustainalytics provided a Second-Party Opinion on the Framework in January 2021.[2]

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded in 2021based on whether the projects financed:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Framework;
2. Complied with the Management of Proceeds commitments outlined in the Framework; and
3. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Framework.

Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
Access to essential services – Health systems development	Investments to finance operation, maintenance, improvement and development of healthcare institutions, this may include healthcare attention equipment and/or services, healthcare prevention equipment and/or services. Proceeds under this category should be destined to public healthcare institutions and/or private healthcare institutions located in municipalities with Human Development Index (HDI) below the country's average and that offer free or subsidized healthcare services to vulnerable communities. Definitions of eligible projects and activities[3]: • 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	• Number of hospitals, clinics and other healthcare facilities built/upgraded • Number of hospital beds financed • Annual hospitalization and inpatient care capacity • Annual capacity of surgical care • Annual capacity of outpatient care • Annual amount of non-patented medicines and vaccines produced and distributed • Number of patients reached

[1] CABEI, "Social Bond Framework", at: https://www.bcie.org/en/investor-relations/social-bank/social-bond-framework-1
[2] CEABEI, "Second-Party Opinion CABEI Social Bond Framework", at: https://www.bcie.org/fileadmin/bcie/espanol/archivos/novedades/publicaciones/institucionales/Central_American_Bank_for_Economic_Integration_SPO_FINAL-1.pdf
[3] Non-exhaustive list of examples of projects and activities

	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). • 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.	• Number of public beds/number of total beds financed (public and nonpublic)
Access to essential services - Education and vocational training and infrastructure improvement	Investments, projects and programs focused on enhancing the infrastructure and capacity of buildings for educational facilities, as well as technical training for teachers and staff. Proceeds under this category should be destined to the public system and/or private institutions in municipalities with HDI below the country's average and that offer free or subsidized educational services to vulnerable communities. Definitions of eligible projects and activities: • 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 populations, assuring access to quality education and development.	• 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 and/or modernized • Number of students reached • Number of public facilities/number of total education facilities financed

	• Technical training for teachers and staff to improve the supply of qualified staff.	

Issuing Entity's Responsibility

CABEI is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including a description of projects, amounts allocated, and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of CABEI's 2021 Social Bond. The work undertaken as part of this engagement included the collection of documentation from CABEI employees and review of documentation to confirm the conformance with the Framework.

Sustainalytics has relied on the information and the facts presented by CABEI with respect to the Nominated Projects. Sustainalytics is not responsible, nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct 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 over the assessment 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 reviewed bond projects, funded through proceeds of CABEI's 2021 Social Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Framework. CABEI has disclosed to Sustainalytics that it has allocated 18% of bond proceeds as of December 31, 2021. CABEI has confirmed that it intends to fully allocate bond proceeds within the upcoming 48 months.

[4] Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the seven projects funded by the 2021 Social Bond to determine if projects aligned with the Use of Proceeds Criteria outlined in the Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Management of Proceeds	Verification of net proceeds managed to determine if measures to track the social bond invested amount used and loans granted aligned with the Management of Proceeds outlined in the Framework.	CABEI's tracking mechanism reviewed met the Management of Proceeds criteria.	None
Reporting Criteria	Verification of the seven projects funded by the 2021 Social Bond to determine if the impact of projects was reported in line with the KPIs outlined in the Framework and above in Table 1. For a list of KPIs reported, please refer to Appendix 2.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

Appendices

Appendix 1: Proceeds Assigned Based on Eligibility Category

On February 3rd, 2021, CABEI issued the 2021 Social Bond for USD 500 million.

Use of Proceeds Category	Intended proceeds distribution by category, January 31st, 2021 (in million USD)	Allocation amount as of December 31st, 2021 (in million USD)	Remaining amount to be disbursed as of December 31st, 2021 (in million USD)
Access to Essential Services – Health systems development	345.2	82.4	262.7
Access to Essential Services – Education and vocational training and infrastructure improvement	154.8	7.7	147.2
Total	500.0	90.1	409.9

Appendix 2: Impact Reporting by Eligibility Criteria

Access to Essential Services - Health systems development

Project Number	Project Name	Project Description
2128	Hospital Infrastructure and Equipment Renewal Program	The program consists of investments in three hospitals: a) Dr. Rafael Angel Calderón Hospital b) La Anexión Hospital and c) the Monsignor Sanabria. Hospital.
2193	Health results management project for the care of the elderly population in Argentina	The overall objective of the Project is to improve the quality of life of the eldest adult and other priority populations of Argentina through the improvement of the care management of the National Institute of Social Services for Retirees and Pensioners (INSSJP, for its acronym in Spanish) in the health care of its affiliates.
2206	Design, Construction and Equipment of the facilities of the Gorgas Memorial Institute	The Project consists of the financing of the construction and partial equipment of the new campus of the Gorgas Memorial Institute for Health Studies, summing up to US$ 70 million, including specialized technical supervision and unforeseen and escalations.
2258	Health Infrastructure Strengthening Program for Penitentiary Units and Border Health Units	The programme is aimed to contribute public health care capacity based on improving health infrastructure in prison complexes and border units, taking into consideration the gender perspective. The Programme includes: • Strengthen health infrastructure and equipment in federal prison complexes. • Strengthen health infrastructure and equipment in provincial prison complexes. • Strengthen health infrastructure and equipment in border health units.

Project Number	Location	Number of hospitals, clinics and other healthcare facilities built/upgraded	Hospitals, Clinics and other healthcare facilities built/ upgraded. (m^2)	Number of hospital equipment bought/ replaced.	Health workers trained	Annual capacity of surgical care	New or upgraded medical specialties attended.	Hospital beds capacity	Number of patients served annually
2128	Costa Rica	3	79,393	N/A	N/A	N/A	N/A	604	1,570,000
2193	Argentina	3	10,039	36	4	4,650	16	41	395,822
2206	Panama	1	18,025	41	N/A	N/A	1	N/A	40,000
2258	Argentina	43	14,895	2,200	N/A	N/A	3	740	N/A

Access to Essential Services – Education and vocational training and infrastructure improvement

Project Number	Project Name	Project Description
2239	Support for middle Education Program	This program consists of improving the infrastructure of public middle schools nationwide, with an emphasis on areas of greatest urban and rural poverty levels and training teachers and students with skills in entrepreneurship methodology
2069	Social inclusion project for tertiary education	The project consists of the need to accompany the increase in the number of students with the improvement of the University's capacities in terms of infrastructure, equipment, production and accommodation. In view of the need identified, the Project includes nine initiatives, as listed below. 1. Construction and equipping housing buildings for women 2. Construction and equipping dairy processing plant 3. Construction of wastewater treatment system 4. Remodeling and equipping meat plant 5. Remodeling and equipping processing fruits and vegetable plant. 6. Construction and equipping drinking water plant 7. Construction and equipping grain and cereal plant 8. Irrigation controls for 10 hectares
2256	My New School Program	The program is developed in the context of the strategic program of the Government of the Republic of El Salvador that proposes redesigning educational facilities in its infrastructure to achieve a positive impact on the learning of children and young people.

Project Number	Location	Number of facilities built (classrooms, laboratories, libraries, among others)	Number of facilities upgraded (classrooms, laboratories, libraries, among others)	Facilities built (classrooms, laboratories, libraries, among others) (m^2)	Facilities upgraded (classrooms, laboratories, libraries, among others) (m^2)	Number of educational equipment bought/replaced (electronic devices, laboratory equipment, etc.)	Number of beneficiaries (students, teacher, and others)
2239	Honduras	98	1,980	5,488	200,648	399	100,439
2069	Honduras	9	N/A	5,273	N/A	498	2,122
2256	El Salvador	413	1,175	41,309	131,178	186	56,830

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