

Central American Bank for Economic Integration

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Introduction

In 2022, Central American Bank for Economic Integration (“CABEI”) issued “Australian Social Bond 2022” aimed at financing and refinancing employment generation and food for low-income population related projects. In 2023, CABEI engaged Sustainalytics to review the projects financed with proceeds from the Australian Social Bond 2022 and provide an assessment as to whether the projects met the use of proceeds criteria and the reporting commitments outlined in the Social Bond Framework 2020 (“the Framework”).¹ Sustainalytics provided a second-party opinion on the Framework in January 2021.²

Evaluation Criteria

Sustainalytics evaluated the projects funded with proceeds from the Australian Social Bond 2022 based on whether the projects:

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

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

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators (KPIs)
Access to essential services – Health systems development	<p>Investments to finance operation, maintenance, improvement and development of healthcare institutions, including 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.</p> <p>Definitions of eligible projects and activities³</p> <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 	<ul style="list-style-type: none"> • Number of hospitals, clinics and other healthcare facilities built/upgraded • Number of hospital beds financed • Annual hospitalization and in patient 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”, (2020), at:

https://www.bcie.org/fileadmin/bcie/espanol/archivos/novedades/publicaciones/institucionales/Final_SBF_CABEI_FINAL.pdf

² CABEI, “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 Non-exhaustive list of examples of projects and activities

	<p>non-profit Health Philanthropic Institutions.</p> <ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • Number of public beds/numbers of total beds financed (public and non-public)
<p>Access to essential services – Education and vocational training and infrastructure improvement</p>	<p>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.</p> <p>Definitions of eligible projects and activities:</p> <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. 	<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 and/or modernized • Number of students reached • Number of public facilities/number of total education facilities financed

	<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. 	
Employment Generation – Micro, small and medium enterprises	<p>Proceeds under this category will be targeted at micro, small and medium enterprises (MSMEs) in order to generate employment and reduce inequalities. Productive activities should be located in areas with HDI below the country's average and/or impacted by natural disasters and/or pandemics and developed by MSMEs (including agricultural ones), according to CABEL's definition of enterprise size based on the number of employees as shown below:</p> <ul style="list-style-type: none"> Micro Enterprise represents ≤ 10 Small Enterprise represents $> 10; \leq 50$ Medium Enterprise represents $> 50; \leq 200$ <p>Definitions of eligible projects and activities:</p> <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	<p>Supporting investments with the goal of increasing the supply of housing to people living without adequate housing, and support people living in social and economic difficulties as a result of decrease of economic activity, natural or human disasters, pandemics, etc.</p> <p>Definitions of eligible projects and activities:</p>	<ul style="list-style-type: none"> Number of housing units developed New population with access to 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. 	
Food security and sustainable food systems – Access to adequate food for low-income populations	<p>Investments and financing in the agricultural sector and food systems to end hunger, achieve food security and significantly enhance nutrition.</p> <p>Definitions of eligible projects and activities:</p> <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 • Irrigated agricultural area • Population with access to adequate food

Issuer's Responsibility

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

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from the Australian Social Bond 2022 issuance. The work undertaken as part of this engagement included collection of documentation from CABEI and review of said documentation to assess conformance with the Social Bond 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.

⁴ BCIE, "Un potente programa enfocado en la integración de la vivienda y su entorno", at: <https://www.bcie.org/novedades/noticias/articulo/un-potente-programa-enfocado-en-la-integracion-de-la-vivienda-y-su-entorno>

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 reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the Framework.

Detailed Findings

Table 3: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded with proceeds from the Australian Social Bond 2022 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
Reporting Criteria	Verification of the projects funded with proceeds from the Australian Social Bond 2022 to determine if 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 category.	None

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

Appendices

Appendix 1: Allocation Reporting by Use of Proceeds Category

In 2022, CABEI issued the Australian Social Bond 2022 raising USD 76.29 million in the Australian market. Of this, 95% (USD 72.47 million) was allocated to refinancing existing projects and the remaining 5% (USD 3.82 million) to financing new projects.

Use of Proceeds Category	Project	Location	Allocation amount as of 31 April 2023 (USD million)	Disbursed amount as of 31 April 2023 (USD million)	Amount pending disbursement as of 31 April 2023 (USD million)
Access to essential services – Health systems development	Multisectoral Program for Economic Reactivation and Social Protection (NIC-Solidarity)	Nicaragua	21.55	21.55	0
Access to essential services – Education and vocational training and infrastructure improvement	Multisectoral Program for Economic Reactivation and Social Protection (NIC-Solidarity)	Nicaragua	18.07	18.07	0
Employment Generation – Micro, small and medium enterprises	Program for Economic Reactivation through MSMEs in the Crisis and Post Crisis COVID-19 in Honduras	Honduras	12.30	12.30	0
Affordable basic infrastructure – Social housing	Multisectoral Program for Economic Reactivation and Social Protection (NIC-Solidarity)	Nicaragua	2.44	2.44	0
Food security and sustainable food systems – Access to adequate food for low-income populations	Multisectoral Program for Economic Reactivation and Social Protection (NIC-Solidarity)	Nicaragua	18.11	18.11	0
	Strengthening financing for the agricultural sector with a technological and sustainable approach in the Dominican Republic	Dominican Republic	3.81	0	3.81
Total	3 projects		76.29	72.47	3.81

Appendix 2: Reported Impact by Use of Proceeds Category

Reported Impact: Project Description

Use of Proceeds Category	Project	Project Description
Access to essential services – Health systems development	Multisectoral Program for Economic Reactivation and Social Protection (NIC-Solidarity)	Projects for the expansion, construction, improvement, replacement and equipment of hospitals, health centers and units.
Access to essential services – Education and vocational training and infrastructure improvement	Multisectoral Program for Economic Reactivation and Social Protection (NIC-Solidarity)	Projects for the expansion, construction, improvement and replacement of primary and pre-primary schools and any type of educational centers, social spending on school meals is also included.
Employment Generation – Micro, small and medium enterprises	Program for Economic Reactivation through MSMEs in the Crisis and Post Crisis COVID-19 in Honduras	The programme aims to reactivate the country's economy affected by the COVID-19 crisis through access to credit and guarantees under favorable conditions for Honduran MSMEs. The specific objectives are: i) Sustain jobs in MSMEs for the period affected by the COVID-19 crisis and post-crisis; ii) Support 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.
Affordable basic infrastructure – Social housing	Multisectoral Program for Economic Reactivation and Social Protection (NIC-Solidarity)	Projects for the construction, improvement and replacement of homes through the granting of housing subsidies.
Food security and sustainable food systems – Access to adequate food for low-income populations	Multisectoral Program for Economic Reactivation and Social Protection (NIC-Solidarity)	Projects for the infrastructure, equipment, training, technical assistance and inputs for agricultural and aquaculture production and environmental and rural development.
	Strengthening financing for the agricultural sector with a technological and sustainable approach in the Dominican Republic	The project aims to promote the offer and orientation of agricultural credit among small and medium-sized farmers to implement productive initiatives for the improvement of the consumption and the productivity of the agricultural sector, as well as the commercialization of agri-food products, under conditions of competitiveness and sustainability to strengthen the production chains.

Reported Impact: Other Indicators

Use of Proceeds Category	Social Impact Reported	
Access to essential services – health systems development	Healthcare facilities built/upgraded	1
	Medical equipment bought	6,361
	New or upgraded medical specialties attended	19
	Hospital beds	360
Access to essential services – education and vocational training and infrastructure improvement	Educational facilities built/upgraded	12
	Beneficiary students	2,663
Employment Generation – Micro, small and medium enterprises	Loans to SMEs	97,723
	Beneficiary enterprises	8,661
	Beneficiary financial institutions	58
	Beneficiary people	86,788
	Generated and/or preserved jobs	94,767
Affordable basic infrastructure – Social housing	Houses built	977
Food security and sustainable food systems – Access to adequate food for low-income populations	Cultivated area (ha)	41,195
	Irrigated area (ha)	846
	Volume of agricultural production (metric tonne)	82
	Volume of small-livestock production (pig) (metric tonne)	8,622.78
	Volume of aquaculture production (metric tonne)	113.63
	Number of loans granted to agricultural SMEs	216,431
	Beneficiary agricultural enterprises	360
	Beneficiary people	86,788
	Number of generated and/or preserved agricultural jobs	1,068
	Volume of commercialized poultry production (metric tonne)	644
	Volume of commercialized aquaculture production (metric tonne)	17,04
	Reduction of annual crop losses (metric tonne – thousands)	372
	Reduction of annual post-harvest losses (metric tonne – thousands)	2

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