

Central American Bank for Economic Integration

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Introduction

In 2023 the Central American Bank for Economic Integration (“CABEI” or the “Issuer”) issued a blue bond (“the 2023 Blue Bond”) to finance and refinance projects that are expected to create positive environmental impact in the area of sustainable water management. In July 2024, CABEI engaged Sustainalytics to review the projects financed with proceeds from the 2023 Blue Bond (the “Nominated Projects”) and provide an assessment as to whether they meet the use of proceeds criteria and the reporting commitments outlined in the 2022 CABEI Green and Blue Bond Framework (the “Framework”).^{1,2} Sustainalytics provided a Second-Party Opinion on the Framework in December 2022.³ This is Sustainalytics’ second annual review of allocation and reporting of the instruments issued under the Framework, following a previous review in June 2024.

Evaluation Criteria

Sustainalytics evaluated the Nominated Projects 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

Use of Proceeds Category	Sub-Categories	Eligibility Criteria	Key Performance Indicators
Sustainable Water Management	Water Distribution	Eligible projects may include: <ol style="list-style-type: none"> i. Installation or upgrade of water efficient irrigation systems. ii. Construction or upgrade of sustainable infrastructure for drinking water. 	Output indicators may include: <ol style="list-style-type: none"> i. Volume of water treated (m³) ii. Number of facilities built iii. Volume of solid sludge collected and treated/reused (tons/year)
	Water Treatment	Eligible projects may include: <ol style="list-style-type: none"> i. Construction of desalination plants and other water treatment facilities to provide inhabitants with drinkable water. 	<ol style="list-style-type: none"> iv. Installed capacity for water systems (m³/s) v. Volume of ballast/bilge water treated (m³)

¹ CABEI, “Green and Blue Bond Framework”, (2022), at: https://www.bcie.org/fileadmin/bcie/espanol/archivos/novedades/publicaciones/institucionales/NINT_-_CABEIs_Green_and_Blue_Bond_Framework_20221201_FINAL.pdf

² The 2022 CABEI Green and Blue Bond Framework is an update to the 2019 CABEI Green Bond Framework: CABEI, “Green Bond Framework”, (2019), at: https://www.bcie.org/fileadmin/bcie/espanol/archivos/inversionistas/banco_verde/CABEI_s_Green_Bond_Framework_V_sent_to_Sust_CLEAN_25-10-2019.pdf

³ Sustainalytics, “Second-Party Opinion, CABEI”, (2022), at: https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/cabei_green-and-blue-bond_second-party-opinion_dec-2022.pdf

		<ul style="list-style-type: none"> ii. Construction and upgrade of sewerage systems to improve wastewater management. iii. Physical (thickening, dewatering) and biological (digestion, composting) treatment of sludge coming from wastewater treatment or reuse of those sludges. iv. Design, construction, rehabilitation, and maintenance of wastewater treatment systems for wastewater generated in productive activities (excluding wastewater already discharged to the sewer system). 	<ul style="list-style-type: none"> vi. Volume of wastewater treated (m³) vii. Volume of solid waste managed (tons) viii. Number of facilities built for the prevention of discharges generated by maritime transport <p>Impact indicators may include:</p> <ul style="list-style-type: none"> i. Reduction in water usage (%) ii. Increase in water reuse (m³/ year) iii. Increase in solid sludge collected and treated/reused (tons/year)
	Water Treatment from Maritime Transportation	<p>Eligible projects may include:</p> <ul style="list-style-type: none"> i. Ballast and shipping vessels water treatment to comply with the International Convention for the Control and Management of Ships' Ballast Water and Sediments (BWM Convention) to avoid spread of invasive alien species. ii. Water treatment equipment and facilities for all wastewater generated from shipping and cruising vessels. iii. To be eligible, shipping vessels served must meet low-carbon requirements by CBI. Conventional vessels powered by heavy-fuel oil or marine diesel oil, as well as nuclear-powered vessels, are excluded. 	<ul style="list-style-type: none"> iv. Number of new connections to drinking water system (households) v. Number of new connections to sewerage system (households)

Issuer's Responsibility

CABEL is responsible for providing accurate information and documentation relating to the details of the funded projects, including descriptions 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 CABEL's 2023 Blue 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,⁴ 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. CABEI has disclosed to Sustainalytics that the proceeds from the 2023 Blue Bond were fully allocated as of April 2023.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the Nominated Projects to determine alignment with the use of proceeds criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the Nominated Projects to determine if impact was reported in line with the KPIs outlined in the Framework.	All projects reviewed 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

In 2023, CABEL issued the 2023 Blue Bond and raised USD 53.11 million, 100% of the net proceeds have been allocated to two Nominated Projects. Of the total allocation, 84% was used for financing new projects and 16% for refinancing.

Table 3: Allocation of proceeds from the 2023 Blue Bond

Use of Proceeds Category	Project Description	Location	Net Proceeds Allocated (USD million)	Net Proceed Allocated (%)
Sustainable Water Management	Improvement and Expansion of Drinking Water Supply and Sanitation Systems Enhancing the quality of life for residents in the seven cities by building, upgrading, and expanding drinking water and sanitary sewage systems.	Nicaragua	8.33	16
	Supply Program for the San José Metropolitan Area and Urban Aqueducts II & Sanitary Sewerage Juanito Mora de Puntarenas Ensure access to drinking water supply and sanitation services in 14 urban areas within the provinces of San José, Alajuela, Cartago, Puntarenas and Guanacaste to encourage sustainable use of natural resources.	Costa Rica	44.78	84
Total			53.11	100

Table 4: Estimated Impact from the 2023 Blue Bond⁵

Use of Proceeds Category	Project	Location	Estimated Impact
Sustainable Water Management	Improvement and Expansion of Drinking Water Supply and Sanitation Systems	Nicaragua	<ul style="list-style-type: none"> i. Volume of water produced: 14.84 m³/s ii. Volume of wastewater treated: 0.28 m³/s iii. Number of reservoirs built: 13 Number of reservoirs upgraded: 3 iv. Number of wastewater treatment plants built: 9 Number of wastewater treatment plants upgraded: 3 v. New connections to the sewerage system: 51,788 households vi. New connections to the drinking-water system: 5,443 households vii. Beneficiaries: 265,628 people viii. Beneficiaries: 57,231 families
	Supply Program for the San José Metropolitan Area and Urban Aqueducts II & Sanitary Sewerage Juanito Mora de Puntarenas	Costa Rica	<ul style="list-style-type: none"> i. Volume of water produced: 2.27 m³/s ii. Volume of wastewater treated: 0.08 m³/s iii. Number of reservoirs built: 23 iv. Number of drinking-water treatment plants built: 2 v. Number of drinking-water treatment plants upgraded: 1 vi. Number of wastewater treatment plants built: 1 vii. New connections to the sewerage system: 35,000 households viii. Beneficiaries: 146,112 people

⁵ CABEI has informed Sustainalytics that estimated impact is reported as the projects are under implementation.

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