



Central
American Bank
for Economic
Integration

CABEI

Social Bond Framework - December 2020



Introduction

The Central American Bank for Economic Integration (“CABEI”) is the development bank of the countries in the Central American region and the financial arm of its integration and development. The organization is composed of 15 countries. It was established in 1960 by Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica as founding members and later joined by Panama, the Dominican Republic and Belize as non-founding regional members and Mexico, Colombia, Argentina, Republic of China (Taiwan), Spain, Cuba and Korea as non-regional members.

CABEI’s mission is to promote the economic integration and the balanced and social development of the Central American region, which includes the founding countries and the non-founding regional countries, attending and aligning itself with the interest of all its member countries. As an international multilateral development bank, CABEI invests all its resources in projects which stimulate the development of the Central American region, aiming to reduce poverty and inequality. CABEI also intends to strengthen regional integration for the competitive inclusion of its member countries in the global economy. All activities and initiatives promoted by the Bank incorporate a special emphasis on environmental, social and sustainable best practices, following CABEI’s institutional strategy through its human development and social inclusion axis, which is aligned to the efforts of the United Nations Sustainable Development Goals (“UN SDGs”).

Since its foundation until 2019, CABEI has approved US\$38,057.1 million in hand and similarly has historically disbursed up until 2019, US\$30,179.7 million, of which 57.2% has been oriented to the public sector and 42.8% to the private sector. The Bank’s presence in the region has been extremely important to support economic progress, social development and regional cooperation in the framework of Central American integration, to the point that around 50% of the disbursements of the Multilateral Development Banks (MDB) for the region come from CABEI.

The bank also made an impact in the Human Development and Social infrastructure since its foundation until the end of 2019 with an amount of US\$6,141.5 million, in Rural Development and Environment with an amount of US\$1,911.7.

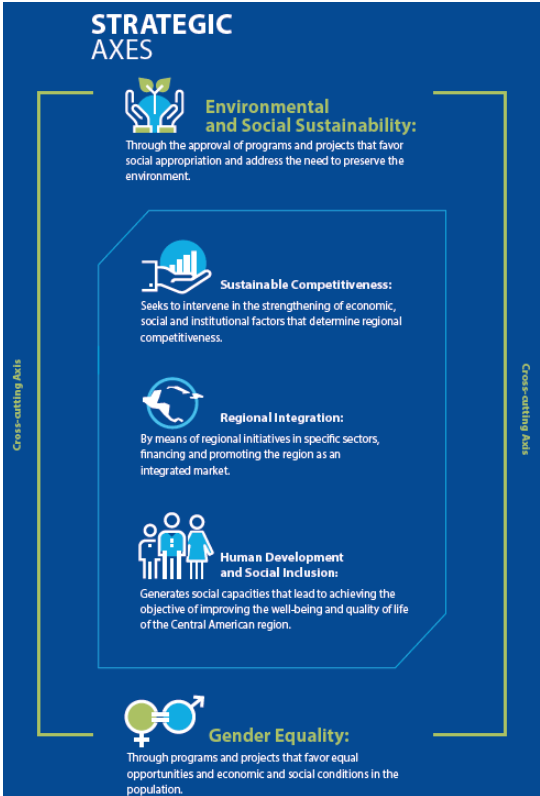
Amongst the Focus areas for CABEI’s ongoing projects and related to social and human well-being we can find the following, Human development and Social infrastructure, Rural development, Agriculture, Farming, Industry related, Urban development, SME support, etc. A few examples of CABEI’s social projects are: enhancement and improvement of water sanitization and drinking water systems for 7 cities in Nicaragua, for a total amount of US\$251 million; hospital infrastructure and equipment program in Costa Rica, for a total amount of US\$270 million; and economic reactivation through micro, small and medium enterprises during and post COVID-19 in Honduras, for a total amount of US\$100 million; among others. General results obtained by CABEI, during the 2015-2020 period, are: 367,357m² for education areas, 105,330m² for health care areas built and rehabilitated, 2,147 kilometres of roads to be built, improved and rehabilitated, 411 Km of distribution and conduction channels for irrigation built and improved, 46, 416 Hectares of irrigation areas, 15, 633 MSMEs benefited with access to loans with

preferential rates, 424,327 Students beneficiaries, 29,130 m2 of Dock construction and rehabilitation, 1, 686, 735 beneficiaries of water for human consumption.

CABEI Institutional Strategy

In the establishment of CABEI’s 2020-2024 Institutional Strategy, the bank has defined the path for contributing with greater efficiency to the major objectives that define the essence of the institution: Integration, balanced development, poverty and inequality reduction as its ultimate purpose. Five axis and six objectives were defined for the implementation of the strategy, The third, fourth and fifth axis encompasses social-related matters, “*Human development and social inclusion axis*” which generates the appropriate tools to help develop social capacities that lead to achieving the objective of improving the well-being and the quality of life of the Central American region, the fourth axis is “*Transversal axis of environmental and social sustainability*”, through approval of programs and projects that favour social development and meet the need for preserving the environment and the fifth axis being “*transversal axis of gender equality*”, by way of programs and projects that promote equal gender opportunities, economic and social conditions in the population.

One of the four major challenges proposed by CABEI in its 5-year strategy is to achieve greater economic and social incidence in its actions, prioritize the Bank’s areas of action in terms of financing and achieve greater efficiency in terms of formulation, management and impact of the projects.



CABEI's commitment to the social and economic sustainable development of the Central American region

CABEI, through its efforts seeks to fulfil its goal of being a strategic ally in the economic, environmental and social development of the Central American region.

CABEI's 2020-2024 strategy is the guide that the bank will follow to accompany the Central American countries in their efforts to achieve new phases of economic development and better opportunities for human well-being. CABEI is also the portal for the international community to more clearly identify possibilities for action in the region, in hand with other multilateral organizations, friendly countries and organizations of a different nature.

The Bank's strategy acknowledges gaps and the potential of the region. There are still structural barriers that hold back economic growth and the challenges of poverty, inequality and violence still persist, but on the other hand there is a political will to solve these difficulties and valuable social capital in the region.

Even though a higher growth rate than the rest of Latin America has been experienced, Central America has not been able to converge at the level of its Latin America peers in terms of income, nor has it overcome the persistent economic, social and environmental challenges, such as extreme poverty, inequality and insecurity. The region shows countries with poverty levels from 15.0 up to 50.0% of its population under poverty levels.

A challenge that the Central American region faces is extra regional and intraregional migration due to a number of reasons. Therefore, it is considered convenient to design schemes to help mitigate the causes of this displacement of the people from their home areas and to promote the insertion of migrants into the economies of the recipient countries with a view to promote sustainable development and to increase regional productivity and new sources of employment.

The pandemic, brought by COVID-19, is a global challenge that the Central America region has not been exempt from its effects and brings challenges ranging mainly from lower governments tax collection, a hospital system not prepared and well equipped, high unemployment levels, closure of SMEs and sagging levels of tourism. As an example, in Honduras due to COVID-19 43% of SMEs have shut down operations which forces not only Honduras but the all local Central American governments to redirect its fiscal strategies in order to increase tax collection efforts, on the same line, governments will have to create and promote the region as a whole in way to attract foreign investment, and similarly boost the tourism sector, many countries in Central America have as an important sector of its economies tourism, for instance in Costa Rica represents approximately 8.2% of the GDP.

In hand, CABEI has created an Emergency Program for an amount of US\$2,360 million, according to the declaration of the Central American Integration System (SICA by its acronym in Spanish) countries, to provide financial resources to finance operations for the prevention, detection and treatment of COVID-19 and mitigation of its economic impact in these countries. The aforementioned program consists of 7 components, Emergency Aid to the Public Sector (as a grant) for a total of US\$8 million, Aid for the regional purchase and supply of medicines and medical equipment for early detection of COVID-19 for an amount

of US\$2.1 million, credit to public sector operations for an amount of US\$600 million, Credit Program to Support the Liquidity Management of Central Banks for an amount of US\$1,000 million, Financial sector and loan facilities for an amount of US\$350 million, support and acquisition of Vaccines to immunize the populations against COVID-19 for an amount of US\$400 million and support COVID-19 prevention and containment Project in the Trifinio plan Region, which includes border communities of the Republics of El Salvador, Guatemala and Honduras. As of November 2020, the Program has made approvals under its seven components in the amount of US\$1,518.9 million and disbursements in the amount of US\$558.7 million.

CABEI is committed to support the Central American region towards building a future accomplishing a more inclusive economic and social development, it is important to combine public policies and sound financing to take care of the foundation of the pyramid through an agenda of human development and social inclusion, such policies must strengthen competitiveness for productivity, innovation and investment conditions, taking advantage of the regional scale that allows integration, hand in hand with environmental and social sustainability; including reduction of inequities.

However, there are clear opportunities in the region that come in hand with the demographics and urbanization process. The combination of a young population with an average age of 26 and a low rate of residents in the urban area of 65.0% (75.0% in Latin America), presents opportunities for increasing economic growth and the labour market, which will result in improvements in well-being and in migration reduction.

A public agenda for education and health sectors will be of high impact, at the same time promoting reforms for a competitive and flexible labour market, which takes advantage of the opportunity of demographics in the region. This improvement of human capital will facilitate the increase productivity and the generation of a specialized labour force for a greater added value, both assets together offer important incentives to dynamize the investment conditions.

Central American Program for Resilient Reconstruction

In November 2020, Central America was massively struck by two devastating hurricanes, ETA and IOTA, which brought along enormous damage in terms of infrastructure, crop losses and damage to the housing infrastructure of the region, with a greater impact in Honduras and Nicaragua, as a result and as immediate response, on November 16th 2020 during a summit of the Central American presidents held at CABEI's headquarters in Honduras, the bank announced the approval of the *Central American Program for Resilient Reconstruction* in response to natural disaster emergencies for an amount of US\$2.5 billion, accessible to the Central American countries upon request. These resources will be oriented to finance projects that address and prevent natural disasters for the sake of adapting to climate change, to restore livelihoods and create socioeconomic opportunities in affected communities. Similarly, the bank's financial and well-known international profile will allow it to look for funding resources in the regional and international capital markets.

Program for the Reduction of Poverty and Economic and Social Exclusion

CABEI's Program for the Reduction of Poverty and Economic and Social Exclusion (PRPEES, for its acronym in Spanish) emerged as a request from the Bank's highest authority (Board of Governors) with the objective of financing operations that directly address the needs of the poorest and most vulnerable population of their territories. The PRPEES was approved in December 2018 and became operational through the approval of its regulations in May 2019. The programs / projects approved under the PRPEES are financed with CABEI's own resources under very concessional conditions, making it CABEI's only concessional window, initiating with an investment availability of US\$569.1 million and may be complemented with other external resources.

The main eligibility criteria of the programs are: i) beneficiary countries: Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Belize, Panama and the Dominican Republic. ii) with own resources from public entities or without sovereign guarantee and with external resources depending on the source; iii) geographical location according to the multidimensional poverty map of each country; iv) areas of intervention include: education, health, housing, employment and social protection; v) all operations must be new. The targeting criteria is the gender approach, and the participation of excluded and vulnerable people (indigenous, disabled people, single mothers, youths at social risk, etc.). Additionally, mechanisms for evaluation and monitoring of multidimensional poverty should be incorporated as part of the financing. Currently, four operations have been approved with 73% of the available resources and nine (9) operations are in preparation, representing 496.8% of the available resources, which means, there's an excess-demand for projects or programs eligible for PRPEES.

The Central American Bank for Economic Integration, as the region's MDB, it promotes the cooperation of regional and international institutions, to favour the Central American population, looking to create synergy to further contribute to the economic and social development.

It is important to mention that CABEI is a part of the Central American System for Economic Integration, (SICA for its acronym in Spanish), where it serves as the financial arm of the region. In this sense and according to the Bank's mission, CABEI has worked close with regional institutions to identify and promote, programs, projects or regional initiatives that respond to the Policies and/or strategy of SICA as well as improve overall life in general for the Central American population.

Program for Housing and Sustainable Habitat Development

The Central American Program for Housing and Sustainable Habitat Development (VIDHAS, for its acronym in Spanish) is a framework program for the housing sector, which finances programs and projects that aim to improve the quality of life through housing conditions and their habitat, that is to say, the housing solutions include, in addition to the roof, walls and floor, the care of services and public spaces, accessibility to sources of work, education, health, transportation, security and other social services, with a special focus on sustainable development and creation of resilient and inclusive human settlements. Specifically, infrastructure and urban and housing equipment are financed in order to improve social inclusion and environmental sustainability in such a way that Central American urban centres become prosperous cities connected to the country's productivity.

The main destinations used are the integral improvement of slums, construction and acquisition of housing, including the use of the intermediation mechanism for access to housing financing. Currently, five operations have been approved in Nicaragua, Costa Rica, El Salvador and Guatemala which sums up a total of US\$441 million.

CABEI Social Support Foundation

The need for resources for social impact projects is increasing every day, which has motivated CABEI to create the “CABEI Social Support Foundation” (FONDO FAS-BCIE, for its acronym in Spanish).

The fund will be a mechanism destined for the acquisition and administration of resources whose main objective will be to promote social projects in support of the member countries of the Bank through the capture of non-reimbursable resources and the granting of the same to projects with social impact.

The fund will serve with non-reimbursable resources, activities necessary for the development of areas such as:

- Education for development.
- A healthy life.
- Empowerment and Community development.
- Development of initiatives to adapt to Climate Change.
- Initiatives for training, research and development on issues of economic impact and Social.
- Initiatives aimed at reducing poverty or social inequality, promote a greater degree of satisfaction of the basic needs of the population through the execution of social projects and services.
- Development of research on issues relevant to human development sustainable Central America. Projects related to Corporate Social Responsibility.
- Cultural and sports development and promotion.

CABEI's contribution for the initial investment of the Fund will be US\$ 5,000,000.00, which will be transferred in amounts of US \$ 1,000,000 annually for 5 years. Likewise, the obtaining of non-reimbursable resources or donations from regions, countries, entities and other foundations around the globe will be promoted through the strong relationships that CABEI nurtures and maintains with its partners and strategic allies in Europe, Asia and America, among others.

CABEI Environmental and Social responsibility

CABEI is aware of the impact of its operation and of the projects it finances and therefore maintains constant communication with its stakeholders to increase operational efficiency and the social value creation.

CABEI has defined an “Environmental and Social Policy” which establishes guidelines and an action framework, that will ensure that operations financed by the Bank and all activities in its own operations are environment and socially sustainable. This policy has three general principles: Adoption of Best International Practices, Sustainable Development Financing and Transparency, Stakeholder Engagement and Consultation. The Policy is executed through:

- **CABEI’s Environmental and Social Strategy**
- **CABEI’s Environmental and Social Risk Management System**, composed of:
 - **Environmental and Social Risk Identification, Evaluation and Mitigation System (SIEMAS for its acronym in Spanish)**, aligned with the Performance Standards of the International Finance Corporation (IFC), the Equator Principles and the Guides of the World Bank Group on Environment, Health and Safety (MASS) to guarantee the application of best international practices. SIEMAS aims to categorize, analyse and mitigate the environmental and social risks associated with operations financed with CABEI resources.
 - **Environmental and Social Corporate Responsibility System (SASC for its acronym in Spanish)**: led by an internal multidisciplinary committee, its main objective is to establish practices that reduce the environmental and social impacts of its own activities. SASC must facilitate the consistent adoption of international standards in its internal operation, in order to manage its direct impact. This System has two areas of action, they are:

i. **Social Responsibility**

In the social dimension, CABEI’s focus is the people of the region, and the relationship between the organization and communities is key to the Bank. It has placed participation and empowerment of communities and citizens for the joint development of social investment projects (health, education, community development, etc.) at the centre of its strategy. In this matter, CABEI partners with several civil society organizations to reduce poverty, and fully commit to the reduction of gender inequalities.

ii. **Environmental Responsibility**

CABEI is concerned with mitigating the environmental footprint caused by its operation, and therefore in 2018 began the ISO 14001:2015 certification process on the Environmental Management System (EMS) for its headquarters building in Honduras. The certification was obtained on July 2019. Environmental analyses are carried out every year to assess the current efficiency of CABEI’s actions and identify areas to improve and further reduce its environmental footprint.

CABEI's Impact Evaluation System

CABEI has also implemented a Development Impact Evaluation System (SEID for its acronym in Spanish) to measure the impact of its projects on development. This System has been implemented along with the Evaluation Cycle, bringing together the necessary steps to complete the evaluation process from the ex-ante, half term to ex-post evaluations.

The Evaluation process is implemented using the "I-CABEI index" which considers the development results of the operations, and its institutional effectiveness during execution. This Index is divided into two components: The Operational Development Results component, composed of the product, effect and impact indicators; and the Institutional Effectiveness on Development component.

Strong CSR commitments aligned with the UN SDGs

As an international multilateral organization for the development and integration of Central America, CABEI placed both environmental and social responsibilities at the very core of its strategy and commitments. CABEI's focus is people, and therefore seeks to promote strategies and activities that promote their well-being and reduce and mitigate any negative impact derived from their operation. All funded projects comply with these demanding challenges, making CABEI a strong contributor to the achievement of the UN Sustainable Development Goals (SDG) for 2015--2030, and more specifically nine of the seventeen, as identified below:



Relevant Initiatives and Accreditations

United Nations Framework Convention on Climate Change (UNFCCC)

CABEI was accredited as Permanent Observer of the UNFCCC in the framework of the COP22, held in Marrakech, Morocco in November 2016.

Adaptation Fund (AF)

The Adaptation Fund was established in 2011 to finance projects and programs targeting developing countries that are signatories to the Kyoto Protocol and are vulnerable to climate change.

In October 2015, CABEI was accredited as a Regional Executing Entity by the Adaptation Fund, an international fund that finances projects and programs aimed at helping developing countries to adapt to the damaging effects of climate change. This accreditation allows CABEI to access resources for the execution of programs and projects that contribute to combat the effects of climate change in the countries of the region. CABEI is the fifth internationally accredited regional entity along with 20 national entities and 12 multinationals. Additionally, CABEI expects to have finalized the re-accreditation by the first quarter of 2021.

Green Climate Fund (GCF)

In 2016, CABEI became the first Central American entity to be formally accredited with direct access to the Green Climate Fund (GCF). This implies that CABEI has the capacity to carry out large-scale projects as well as to obtain GCF funding for micro, small, medium and large projects. This allows CABEI to strengthen support for its member countries in order to meet the commitments and goals agreed upon in the different climate change conventions and to implement Nationally Determined Contributions (NDC) through the execution of regional and national projects and programs that contribute to increase the resilience of communities to climate change.

Invest Program - European Union

CABEI is accredited to execute financial cooperation funds from the European Union. The European Commission allocates a significant amount of international cooperation to Latin America, mainly to support bilateral and multilateral cooperation programs such as the Latin American Investment Facility (LAIF). CABEI has been authorized by the European Union to manage funds from the entity's budget with the purpose of promoting investment in programs and projects of high impact on development. The CABEI accreditation is done through the process of Pillar Assessment which validates that the entities that execute funds from the European Union have adequate internal control schemes to execute social projects. In that sense, CABEI has been evaluated in the following pillars:

- Pillar 1: Internal Control Standards
- Pillar 2: Accounting Standards.
- Pillar 3: External Audit Standards.
- Pillar 4: Donations Standards.
- Pillar 5: Purchasing Standards.

- Pillar 6: Standards for Financial Instruments.

The following pillars are currently being evaluated:

- Pillar 7: Exclusion from access to finance.
- Pillar 8: Publication of information on recipients.
- Pillar 9: Protection of personal data.

Overview of CABEI Social Bond Framework

Rationale for CABEI to issue Social Bonds

As mentioned earlier, the third axis defined for the implementation of the institutional strategy is “*Human development and social inclusion axis*”, amongst the objectives of the strategy of CABEI is the support of efforts that lead to reduction of poverty, inequality and in a focused manner contribute to significantly reduce extreme poverty.

Within its priorities, CABEI has the objective of financing regional social projects, as well as strengthening the portfolio of its projects within sustainable development scope. Thus, the issuance of a Social Bond to finance social projects is a means for CABEI to further commit to the fight against social inequality and to contribute to economic and social development.

CABEI’s Social Bond issuances intend therefore to redirect financial flows towards strategic sectors, including, but not limited to: Access to essential services, Employment generation, Socioeconomic empowerment, Affordable basic infrastructure, Food security and sustainable food systems. In that way, the most impacted SDGs are: 1. No poverty, 3. Good health and well-being, 4. Quality education, 5. Gender equality, 6. Clean water and sanitation, 7. Affordable and clean energy, 8. Decent work and economic growth, 10. Reduced inequalities and 11. Sustainable cities and communities.

CABEI’s Social Bond Framework is aligned with the ICMA Social Bond Principles as updated in June 2020 and its four components, as detailed in the next sections.

1. Use of Proceeds

The net proceeds of any CABEI Social Bond issuance will be used to finance and/or refinance eligible social projects and assets selected from CABEI’s loan portfolio, as defined below:

1.1. Access to essential services:

1.1.1. 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 activities¹:

- Financing construction, operation, maintenance, improvement and/or purchase of equipment for public hospitals and other public healthcare institutions.

¹ Non-exhaustive list of examples of projects and activities.

- Support to modernization and operational efficiency improvements of 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.

SDG and targets supported:

Goals	Targets
	<p>3.8. Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.</p> <p>3.B. Support the research and development of vaccines and medicines for the communicable and noncommunicable diseases that primarily affect developing countries, provide access to affordable medicines and vaccines, in accordance with the Doha Declaration on the TRIPS Agreement and Public Health, which affirms the right of developing countries to use to the full the provisions in the Agreement on Trade Related Aspects of Intellectual Property Rights regarding flexibilities to protect public health, and, in particular, provide access to medicines for all.</p>
	<p>10.2. By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.</p>

1.1.2. 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 population, assuring access to quality education and development.
- Technical training for teachers and staff to improve the supply of qualified staff.

SDG and targets supported:

Goals	Targets
	<p>4.1. By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes.</p> <p>4.2. By 2030, ensure that all girls and boys have access to quality early childhood development, care and preprimary education so that they are ready for primary education.</p> <p>4.3. By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.</p> <p>4.A. Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, nonviolent, inclusive and effective learning environments for all.</p> <p>4.C. By 2030, substantially increase the supply of qualified teachers, including through international cooperation for teacher training in developing countries, especially least developed countries and small island developing states.</p>
	<p>10.2. By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.</p>

1.2. Employment generation

1.2.1. Micro, small and medium enterprises financing

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 shown in the table below.




Table 1. MSME CABEL's definition.

Enterprise size	Employees
Micro enterprise	≤ 10
Small enterprise	> 10; ≤ 50
Medium enterprise	> 50; ≤ 200

Definitions of eligible projects and activities:

- 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.

SDG and targets supported:

Goals	Targets
 <p>1 NO POVERTY</p>	1.4. By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	8.3. Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services. 8.6. By 2020, substantially reduce the proportion of youth not in employment, education or training.
 <p>10 REDUCED INEQUALITIES</p>	10.2. By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.

1.3. Socioeconomic empowerment



1.3.1. Gender inclusion

Proceeds in this category can support MSMEs, as defined by CABEI (Table 1), owned and/or controlled by women, regardless of their location, and boost the advent of new female entrepreneurs.

Definitions of eligible projects and activities:

- 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 controlled by women (MSMEs with women with capital stock equal to, or higher than, 50% for at least six months).
- Long-term working capital and credit to balance cash flow and support unforeseen expenses for MSMEs controlled by women.

SDG and targets supported:

Goals	Targets
	<p>5.5. Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.</p> <p>5.A. Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws.</p>
	<p>10.2. By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.</p>

1.4. Affordable basic infrastructure

1.4.1. Clean drinking water, sanitation and sewages


Financing of projects and programs in general towards the creation or improvement of access to water and sanitation services; creation, upgrade or maintenance of existing sanitation facilities and sewers; as well as preserving the quality of water bodies by reducing pollution from untreated wastewater, with a particular focus and attention to the underserved areas, rural communities and vulnerable populations.

Definitions of eligible projects and activities:

- Sustainable water treatment and supply:
 - Creation, expansion and/or maintenance of public access to water supply.

- Sustainable sewage:
 - Creation, expansion and/or maintenance of sewage systems.
- Solid urban waste and sewage sludge treatment and disposal:
 - Treatment and disposal of sewage sludge (e.g. urban drainage, sanitization, sorting, composting, digestion without biogas extraction, transshipment).

SDG and targets supported:

Goals	Targets
 <p>6 CLEAN WATER AND SANITATION</p>	<p>6.1. By 2030, achieve universal and equitable access to safe and affordable drinking water for all.</p> <p>6.2. By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations.</p> <p>6.3. By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.</p> <p>6.5. By 2030, implement integrated water resources management at all levels, including through transboundary cooperation as appropriate.</p> <p>6.6. By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes.</p>


1.4.2. Rural Development (electrification)

Financing of projects and programs in general for rural electrification and connectivity, with a particular focus and attention to the underserved areas, rural communities and vulnerable populations, as well as communities impacted by natural or human disasters and/or pandemics.

Definitions of eligible projects and activities:

- Creation, expansion and/or maintenance of public access for electrical interconnectivity in rural areas.

SDG and targets supported:

Goals	Targets
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	<p>7.1. By 2030, ensure universal access to affordable, reliable and modern energy services.</p> <p>7.B. By 2030, expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries, in particular least developed countries, small island developing States, and</p>

	land-locked developing countries, in accordance with their respective programmes of support.
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1.4.3. Social Housing

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.

Definitions of eligible projects and activities:

- 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)².

SDG and targets supported:

Goals	Targets
	<p>1.4. By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.</p> <p>1.5. By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters.</p>
	<p>11.5. By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations.</p> <p>11.B. By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015-2030, holistic disaster risk management at all levels.</p>

² Available at: <<https://www.bcie.org/novedades/noticias/articulo/un-potente-programa-enfocado-en-la-integracion-de-la-vivienda-y-su-entorno>>.


1.4.4. *Disaster prevention and economic recovery*

Proceeds under this category should be destined to prevent impacts caused by natural disasters and support economic activities in municipalities affected by natural and human disasters or health emergencies.

Definitions of eligible projects and activities:

- Disaster risk prevention and response preparedness, including early warning systems.
- 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.
- Accessible and customized credit for businesses, with reduced rates and extended due dates, during health emergencies.

SDG and targets supported:

Goals	Targets
	11.5. By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations.

1.5. Food security and sustainable food systems



1.5.1. *Access to adequate food for low-income populations*

Investments and financing in the agricultural sector and food systems to end hunger, achieve food security and significantly enhance nutrition.

Definitions of eligible projects and activities:

- 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. CABI 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.

SDG and targets supported:

Goals	Targets
	1.4. By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.
	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.

2. Process for Project Evaluation and Selection

2.1. Social Bond Working Group

CABEI intends to establish a Multidisciplinary Social Bond Working Group, which will be responsible for the evaluation and selection of the Eligible Social Projects to be financed through the Social Bonds proceeds. CABEI intends to rely on the hard and soft skills of the analysis carried out by Environmental and Social Sustainability Office. The Working Group's responsibilities include the following elements:

- Verification of compliance of the Eligible Social Projects with CABEI's Social and Environmental Policy.
- Selection of the Eligible Social Projects in line with the eligibility criteria stated in the Use of Proceeds section of the Framework.
- Monitoring of the pool of Eligible Social Projects and replacing projects that no longer satisfy the eligibility criteria (i.e. divestment, cancellation, ineligibility) with new Eligible Social Projects if needed.
- Validation of the annual Social Bond Report.

The Social Bond Working Group will meet at least on an annual basis and is composed of relevant parties including:

- Finance Department.
- Continuous Improvement department (UMC, for its acronym in Spanish).
- Environmental and Social Sustainability Office.
- Public Sector Department.
- Private Sector Department.

2.2. Portfolio categorization

CABEI has a portfolio of projects that covers several of the categories in section 1. *Use of Proceeds*, composed by lines of credit that are mainly addressed to the public sector of the founding and associated member countries. The credit lines with which the Bank currently works and others that may be developed can finance projects that compose its portfolio of social projects, provided that they meet the eligibility, categorization and evaluation criteria established in this document.

The proceeds from Social Bonds' issuance will be allocated to: (i) projects that will be financed by CABEI after any issuance; or (ii) for reimbursement of projects that fall under any category of the social bond framework. In (i), new projects may be financed with Social Bond issuances up to the total amount of the financing. In (ii), the outstanding loan balance will be considered for this purpose.

2.3. Environmental and social risk management

As mentioned before, CABEI has an Environmental and Social Risk Identification, Evaluation and Mitigation System (SIEMAS, for its acronym in Spanish). The SIEMAS allows CABEI to systematically identify, assess and mitigate the environmental and social impacts coming from the financed operations. Through SIEMAS, CABEI promotes and facilitates stakeholder involvement in order to avoid and mitigate the adverse risk and impacts to society and environment.

The SIEMAS requires that all operations financed by the Bank and their environmental and social risk category to be aligned with the IFC Performance Standards, the Equator Principles and the World Bank Group Environmental, Health and Safety Guidelines, as well as the applicable national regulation. CABEI ensures the compliance with such standards by a formal monitoring process which include the review of client's periodical reports, as well as possible *in situ* visits and audits. When local regulations are different to the guidelines contained in the SIEMAS, CABEI requires the application of the stricter rules.

According to IFC and the World Bank Group, projects and programs are categorized in three levels:

- **Category A:** Projects with potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible or unprecedented.
- **Category B:** Projects with potential limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures 2.
- **Category C:** Projects with minimal or no adverse environmental and social risks and/or impacts.

CABEI allows a reasonable consultation time before the endorsement of a credit operation, making available the related documentation with the aim of ensure stakeholder participation, paying special attention to operations with high environmental and social impacts.

CABEI has an environmental and social grievance mechanism in order to reinforce its own environmental and social performance as well as the clients one. That mechanism allows to record, analyse and amend irregularities related to environmental and social risk considered as critic, according to the guidelines established in the SIEMAS.

2.4. Exclusion criteria

CABEI does not finance operations which are included in its Exclusion List (Annex 1). Furthermore, CABEI abstains from financing and supporting the execution of operations that infringe: (i) CABEI's environmental and social policy and related regulations; (ii) current environmental and social regulations in the host country; and (iii) international environmental and social agreements and conventions.

2.5. Social portfolio

CABEI's credit portfolio (October 2020) includes several operations which suit the categories established in *1. Use of Proceeds* and respect all management and exclusion criteria indicated above. CABEI's social portfolio represent 29% of the total outstanding operations.

It is important to highlight that some categories defined in section *1. Use of Proceeds* are not currently represented in CABEI's portfolio. However, the Bank has the objective to support these new projects and/or programs, as part of its institutional strategy. Another important disclosure is that the proceeds from a Social Bond issuance do not need to cover all the categories foreseen in this Framework.

3. Management of Proceeds

The net proceeds of CABEI's Social Bond issuances will be managed within CABEI's treasury liquidity portfolio, in cash or other liquidity instruments, until the total amount of the net proceeds equals the total amount of selected Eligible Social Projects. The proceeds of CABEI's Social Bonds issuances will not be used to finance activities not aligned to this Framework's eligibility criteria, not even temporarily.

CABEI will take specific measures to track the invested amounts used and the loans granted in order to finance the selected Eligible Social Projects. The proceeds will be fully allocated during the duration and life of the bond which are normally 5-year tenor issuances.

A pool of projects selected by the social bond working group will be receiving the proceeds of the Social Bond issuance.

4. Reporting

CABEI commits to provide investors with both a reporting on the allocation of proceeds (allocation reporting) and the impact of Eligible Social Projects (impact reporting) on a yearly basis for the duration of the Social Bond(s). The Finance Department will coordinate the collection of data and consolidating of the allocation reports and the impact reports.

These reports shall be made publicly available to all stakeholders on CABEI's website. The reports will focus on the projects carried by the institution in all member countries. The first report will be published within the following year after the respective issuance.

4.1. Allocation reporting

Annually, until full allocation of proceeds, CABEI will provide information on the allocation of the proceeds that should include:

- Total amount of proceeds and projects allocated to eligible social projects per category and average ticket.

- The share of financing and refinancing.
- Total amount of unallocated proceeds.
- A brief description of selected projects.

4.2. Performance and impact reporting

As long as any Social Bond is outstanding, and where feasible, an annual impact report will be provided. The impact report will rely on both output and impact metrics – at least one of each type per eligible category –, as illustrated below, subject to data availability. CABEI intends to rely on its already existing Development Impact Evaluation System, which identifies the development effects/impacts of financed operations. All operations financed by CABEI receive an “I-CABEI” evaluation that will be disclosed in the Annual Report. The classification is as follows:

- High expected impact (I-CABEI \geq 70%).
- Satisfactory impact (41% \leq I-CABEI \leq 69%).
- Low impact (I-CABEI \leq 40%).

Examples of indicators and metrics:

Indicator type	Indicator	Unit
1.1.1. Health systems development		
Outcome	Number of hospitals, clinics and other healthcare facilities built/upgraded	Facilities
	Number of hospital beds financed	Beds
	Annual hospitalization and inpatient care capacity	Patient-days/year
	Annual capacity of surgical care	Surgeries/year
	Annual capacity of outpatient care	Outpatient care/year
	Annual amount of non-patented medicines and vaccines produced and distributed	Doses/year
Impact	Number of patients reached	Patients
	Number of public beds/number of total beds financed (public and non-public)	%
1.1.2. Education and vocational training and infrastructure improvement		
Outcome	Number of schools and other education facilities supported (constructed, upgraded or connected to the internet)	Facilities
	Number of electronic devices for educational use purchased – PCs, chrome books and tablets	Electronic devices
	Number of training and experimentation spaces in technologies for teachers created	Spaces
	Number of spaces dedicated to students for pedagogical use of technology implemented and/or modernized	Spaces
Impact	Number of students reached	Students
	Number of public facilities/number of total education facilities financed	%
1.2.1. Micro, small and medium enterprises financing		
Outcome	Number of financed small and micro enterprises	Enterprises
Impact	Estimated number of jobs created or maintained	Jobs
1.3.1. Gender inclusion		
Outcome	Number of financed MSMEs controlled by women	MSMEs

	Average loan size granted to MSMEs controlled by women	%
Impact	Number of MSMEs controlled by women financed/total number of MSMEs financed by CABEI (%)	%
	Number of female entrepreneurs reached	Women
1.4.1. Clean drinking water, sanitation and sewages		
Outcome	Expanded water or sewage annual treatment capacity	m3/year
	Annual urban solid waste and sewage sludge collected or treated	Tones/year
	Capacity to generate energy by solid urban waste	MW/H
	Annual energy generation from landfills	MWh or GWh (electricity); GJ or TJ (other energy)
Impact	New population with access to water supply, sewage and solid waste projects	Habitants
1.4.2. Rural Development (electrification)		
Outcome	Installed capacity of rural electrification projects	MW or GW
Impact	New population with access to energy	Habitants
1.4.3. Social Housing		
Outcome	Number of housing units developed	Houses
Impact	New population with access to social housing	Habitants
1.4.4. Disaster prevention and economy recovery		
Outcome	Number of financed companies located in municipalities that suffered natural or environmental disasters	Companies
	Vital infrastructures recovered after disasters	Infrastructure
	Refuges built	Refuges
	Designed/adopted early warning systems	Systems
Impact	Estimated number of jobs supported	Jobs
	Affected population benefited from recovery interventions	Habitants
	Estimated avoided deaths	Habitants
1.5.1. Access to adequate food for low-income populations		
Outcome	Food produced	Ton
	Irrigated agricultural area	Hectares or km ²
Impact	Population with access to adequate food	Habitants

External review

Second-Party Opinion

CABEI has mandated Sustainalytics to provide a Second-Party Opinion on its Social Bond Framework. The Second-Party Opinion ensures the Social Bond Framework follows the highest standards as defined by the Social Bond Principles, and best market practices. Second-Party Opinion documents are available on CABEI's and [Sustainalytics'](#) websites.

Annual Review

In order to provide the best information possible about the reporting of the funds from the Social Bond, CABEI intends to engage a Second-Party Opinion Provider to provide annual assessment on the alignment of the allocation of funds with Social Bond Framework's criteria and themes. This review will be conducted on an annual basis until full allocation.

ANNEX 1. Exclusion list

CABEI will not finance operations, programs or projects related to:

- a) Production or activities involving exploitative forms of forced labour or human trafficking.
- b) Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements.
- c) Production or trade in weapons and munitions or other activities related to war industry.
- d) Gambling, casinos and equivalent enterprises.
- e) Trade in wildlife or wildlife products protected by national or international law or regulations.
- f) Production or trade in radioactive materials.
- g) Production or trade in unprotected asbestos fibres as well as their use.
- h) Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forest.
- i) Production or trade in products that contain high toxic chemicals.
- j) Production or trade in pharmaceutical products subject to gradual elimination or international bans.
- k) Production or trade in pesticides or herbicides or any other agrochemical subject to gradual elimination or international bans.
- l) Production or trade in ozone depleting substances subject to gradual elimination or international bans.
- m) Drift net fishing in the marine environment using nets in excess of 2.5 km in length.
- n) Production, trade or manufacture of illegal drugs or psychotropic substances.
- o) Activities which, because of their nature, are deemed against CABEI's environmental policy or host country laws.
- p) Activities which, because of their nature, are deemed against the ethical and moral principles established in the CABEI's Ethic's Code and complementary laws.