

# Central American Bank for Economic Integration

**Type of Engagement:** Annual Review

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## Introduction

In September 2021, the Central American Bank for Economic Integration (“CABEI”) issued the “2021 Swiss Social Bond” aimed at financing and refinancing healthcare, basic infrastructure, food for low-income populations and employment generation related projects across Central America. In October 2022, CABEI engaged Sustainalytics to review the projects funded through the issued 2021 social bond 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.<sup>1</sup> Sustainalytics provided a Second-Party Opinion on the Framework in January 2021<sup>2</sup>, along with annual reviews of the “February 2021 Social Bond” issuance in February 2022<sup>3</sup>, and the “Social recovery and reconstruction COVID-19 bond- Mexico 2021” issuance in July 2022.<sup>4</sup>

## Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the 2021 Swiss Social Bond based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Social Bond 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 Social Bond Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs while Table 2 lists the associated KPIs.

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<sup>1</sup>CABEI “Social Bond Framework”, (2020), at:

[https://www.bcie.org/fileadmin/bcie/espanol/archivos/novedades/publicaciones/institucionales/Final\\_SBF\\_CABEI\\_FINAL.pdf](https://www.bcie.org/fileadmin/bcie/espanol/archivos/novedades/publicaciones/institucionales/Final_SBF_CABEI_FINAL.pdf)

<sup>2</sup> 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\\_Social\\_Bond\\_Framework\\_Final.pdf](https://www.bcie.org/fileadmin/bcie/espanol/archivos/novedades/publicaciones/institucionales/Central_American_Bank_for_Economic_Integration_Social_Bond_Framework_Final.pdf)

<sup>3</sup> CABEI, “2021 – Social Bond Benchmark Annual Review”, at:

[https://www.bcie.org/fileadmin/bcie/espanol/archivos/novedades/publicaciones/institucionales/CABEI\\_Social\\_Benchmark\\_Bond\\_Annual\\_Review\\_2021.pdf](https://www.bcie.org/fileadmin/bcie/espanol/archivos/novedades/publicaciones/institucionales/CABEI_Social_Benchmark_Bond_Annual_Review_2021.pdf)

<sup>4</sup> CABEI, “2022 – Social Bond Mexico Annual Review”, at:

[https://www.bcie.org/fileadmin/bcie/espanol/archivos/novedades/publicaciones/institucionales/Central\\_American\\_Bank\\_for\\_Economic\\_Integration\\_Annual\\_Review\\_2022.pdf](https://www.bcie.org/fileadmin/bcie/espanol/archivos/novedades/publicaciones/institucionales/Central_American_Bank_for_Economic_Integration_Annual_Review_2022.pdf)

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

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
<b>Access to Essential Services – health systems development</b>	<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 activities<sup>5</sup></p> <ul style="list-style-type: none"> <li>• Financing construction, operation, maintenance, improvement and/or purchase of equipment for public hospitals and other public healthcare institutions.</li> <li>• Support to modernization and operational efficiency improvements of non-profit Health Philanthropic Institutions.</li> <li>• 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).</li> <li>• Financing Public-Private Partnership (PPP) and public concession operations related to public health services.</li> <li>• 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.</li> <li>• Enhance the capacity of healthcare infrastructure, institutions and health workers, to better face infectious diseases and/or pandemics.</li> </ul>	<ul style="list-style-type: none"> <li>• Number of hospitals, clinics and other healthcare facilities built/upgraded</li> <li>• Number of hospital beds financed</li> <li>• Annual hospitalization and in patient care capacity</li> <li>• Annual capacity of surgical care</li> <li>• Annual capacity of outpatient care</li> <li>• Annual amount of non-patented medicines and vaccines produced and distributed</li> <li>• Number of patients reached</li> </ul>

<sup>5</sup> Non-exhaustive list of examples of projects and activities

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<p><b>Employment Generation – Micro, small and medium enterprises</b></p>	<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"> <li>• Micro Enterprise represents <math>\leq 10</math></li> <li>• Small Enterprise represents <math>&gt; 10; \leq 50</math></li> <li>• Medium Enterprise represents <math>&gt; 50; \leq 200</math></li> </ul> <p>Definitions of eligible projects and activities:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Long-term working capital and credit to balance cash flow and support unforeseen expenses to micro and small business.</li> <li>• Poverty alleviation, employment programs and other programs that contribute directly to the stimulation of sustainable economic activity.</li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• Number of financed small and micro enterprises</li> <li>• Estimated number of jobs created or maintained</li> </ul>
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<p><b>Food security and sustainable food systems – Access to adequate food for low-income populations</b></p>	<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"> <li>• 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. CABEL will promote the adoption of sustainable practices among the beneficiaries of these projects.</li> <li>• Food security and enhanced nutrition projects and programs targeted towards the most vulnerable population.</li> </ul>	<ul style="list-style-type: none"> <li>• Food produced</li> <li>• Irrigated agricultural area</li> <li>• Population with access to adequate food</li> </ul>
<p><b>Affordable basic infrastructure – Social housing</b></p>	<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"> <li>• Social housing projects and programs targeted towards the most vulnerable population, and projects that support rural housing developments.</li> <li>• Renovation, maintenance and improvements of social housing projects for vulnerable populations.</li> <li>• Projects under the Sustainable Housing Program (VIDHAS)<sup>6</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Number of housing units developed</li> <li>• New population with access to social housing</li> </ul>

## Issuing Entity's Responsibility

CABEL is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including 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 CABEL's Social Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from CABEL employees and review of documentation to confirm the conformance with the Social Bond Framework.

<sup>6</sup> Program information available at: <https://www.bcie.org/novedades/noticias/articulo/un-potente-programa-enfocado-en-la-integracion-de-la-vivienda-y-su-entorno>

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Sustainalytics has relied on the information and the facts presented by CABEL 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 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 over the assessment of the review.

### Conclusion

Based on the limited assurance procedures conducted,<sup>7</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of CABEL's Social Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Social Bond Framework. CABEL has disclosed that it has allocated 48.32% (USD 105.48 million) of bond proceeds as of August 31, 2022, and has confirmed that it intends to allocate the remaining 51.68% (USD 112.8 million) of the bond proceeds within five years of issuance, by September 29, 2026.

### Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
<b>Use of Proceeds Criteria</b>	Verification of the projects funded by the social bond in 2021 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Social Bond Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
<b>Management of Proceeds</b>	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.	CABEL's tracking mechanism reviewed met the Management of Proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the projects funded by the social bond in 2021 to determine if impact of projects was reported in line with the KPIs outlined in the Social Bond 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

<sup>7</sup> 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.

## Appendices

### Appendix 1: Proceeds Assigned Based on Eligibility Category

Table 3: Allocation of proceeds from CABEL's 2021 social bond issuance in the Swiss market

Use of Proceeds Category	Proceeds earmarked for distribution by category (million USD) <sup>8</sup>	Allocation amount (million USD)	Pending disbursements (million USD)
Access to essential services – Health systems development	114.20	1.40	112.80
Employment generation – Micro, Small, and medium enterprises financing	88.79	88.79	Fully disbursed
Food security and sustainable food systems – Access to adequate food for low-income populations	3.60	3.60	Fully disbursed
Affordable Basic Infrastructure – Social housing	11.69	11.69	Fully disbursed
<b>Total</b>	<b>218.28</b>	<b>105.48</b>	<b>112.80</b>

<sup>8</sup> CABEL has indicated that 52% (USD 114.2 million) of total bond proceeds raised are earmarked for new disbursements, and 48% (USD 104.10 million) are earmarked for refinancing.

## Appendix 2: Impact Reporting by Eligibility Criteria

**Table 4: Access to essential services – health systems development**

<b>Project Name</b>	Infrastructure Investment Program and Hospital Equipment	
<b>Country</b>	Guatemala	
<b>Description</b>	Equipment for the improvement of the hospital network in Alta Verapaz, Jutiapa and Suchitepéquez through the design, construction and equipping of new facilities, with an expected improvement of 670 beds. Additionally, this project is expected to increase the capacity of the national hospitals in Chiquimula and Sololá, through the improvement of the existing infrastructure and new construction, reaching 1,040 beds.	
<b>Impact Indicators</b>	Number of hospitals, clinics and other healthcare facilities built/upgraded	5
	Hospital beds	1,040
	Annual hospitalization and inpatient care capacity	88,814
	Life expectancy increase	71.36

**Table 5: Employment generation – Micro, small and medium enterprises financing**

<b>Project Name</b>	<b>Support Program for Economic Recovery Measures Implemented for the Benefit of Companies and Employment Affected by COVID-19</b>	
<b>Country</b>	El Salvador	
<b>Description</b>	Support the implementation of economic measures aimed at mitigating the negative economic impacts of the COVID-19 pandemic. Specifically, the funds from the loan will be used to finance the Support Program for Economic Recovery Measures implemented to benefit companies and employees affected by COVID-19. These funds will be used towards granting subsidies and loans to micro, small and medium-sized enterprises in the formal and informal sectors affected by the pandemic.	
<b>Impact Indicators</b>	Benefited people	2,566,805
	Beneficiary Financial Institutions	13
	SMEs benefited with granting of credit	16,130

**Table 6: Food security and sustainable food systems – Access to adequate food for low-income populations**

<b>Project Name</b>	Sustainable Development Project of the livelihoods of rural Families in the Dry Corridor of Nicaragua
<b>Country</b>	Nicaragua
<b>Description</b>	Improve the living conditions of rural families and indigenous people of the Dry Corridor. As a result of project financing, rural families and indigenous people in the project area will increase their income, improve nutritional food security, make better use of natural resources and reduce vulnerability to climate change.

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<b>Impact Indicators</b>	Cultivated area (hectares)	37,800
	Agricultural production <sup>9</sup> (quintals) of basic grains, vegetables, and bananas.	4,936,425.31
	Direct/indirect beneficiaries of the good or service	150,000
	Generated and preserved employments	4,074

**Table 7: Affordable basic infrastructure - Social Housing**

<b>Project Name</b>	Social Housing Construction and Improvement Program	
<b>Country</b>	Nicaragua	
<b>Description</b>	Building low-income housing in Nicaragua.	
<b>Impact Indicators</b>	New population with access to social housing	55,125
	Construction area (m <sup>2</sup> )	300,030
	Number of housing units developed	11,025
	Homes with access to public services	6,085

<sup>9</sup> Agricultural production relates to basic grains, vegetables and bananas. Additional food production related to livestock is also reported by CABEL as a separate indicator. See impact report for full details.



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