

CABEI



Central American
Bank for
Economic
Integration

Swiss Green Bond Impact Report 2022

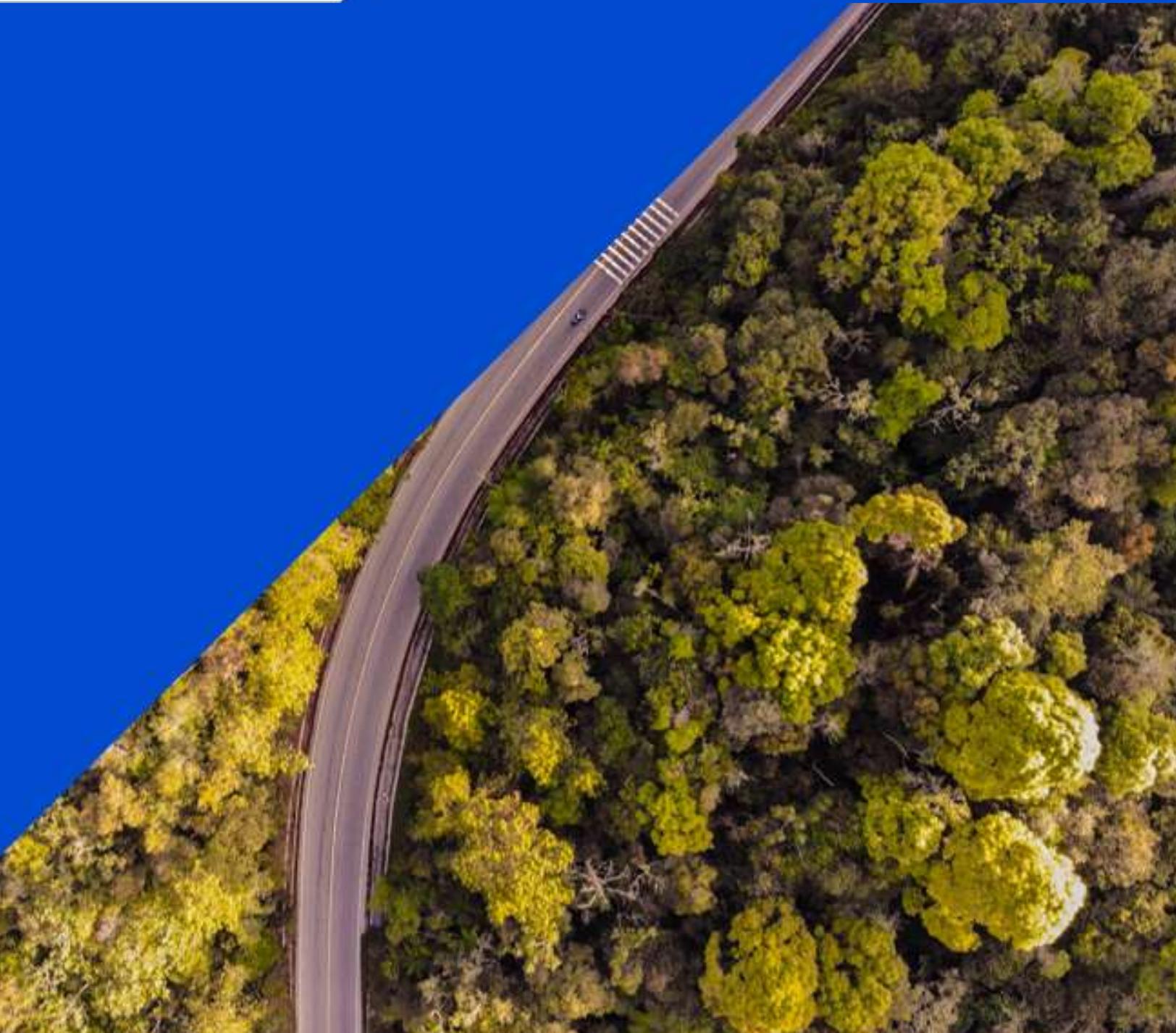


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CABEI's institutional information

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. Established in 1960, the Bank is composed of 15 countries, 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 in the Institutional Strategy 2020-2024 is to promote the economic integration and balanced social development of the Central American region, which includes the founding countries and the non-founding regional countries, while in harmony with the objectives of its extra-regional members.

Since its foundation, CABEI has disbursed up until year 2021 a total amount of US\$ 33.3 billion. For yearend 2021, the disbursements distribution to founding countries represent 94% and disbursements to non-founding countries represent 6%. The Bank's presence in the region has been extremely important to support economic progress, social development and regional cooperation in the context of Central American integration, to the point that from year 2004 to 2020 around 50% of the disbursements of the Multilateral Development Banks (MDB) for the region come from CABEI.

As an international multilateral development bank, CABEI invests all its resources in projects and programs that stimulate the development of member countries, whilst aiming to reduce in return poverty and inequality. CABEI provides financing to both the public and private sectors for the implementation of projects that foster sustainable development and improve climate resilience of communities in the region. A variety of financial instruments are deployed by CABEI through projects in sectors such as: agriculture, energy, human development, and transport.

CABEI also aims to strengthen the region's integration and promotes a competitive inclusion of its member countries within the global economy. All activities and initiatives promoted by CABEI incorporate environmental and social standards which pursue best sustainable practices, in adherence to CABEI's institutional strategy, which embeds a cross-cutting environmental sustainability component that is aligned to the United Nations' *Sustainable Development Goals* (SDG).

CABEI has defined an Environmental and Social Policy with three general principles: Adoption of Best International Practices; Financing for Sustainable Development and Transparency; and Consultation and Citizen Participation. The Policy is executed through:

- CABEI's Environmental and Social Strategy 2020-2024: its purpose is to finance and support member and beneficiary countries in the development and implementation of environmentally and socially sustainable programs and projects and improve capacities to assess, measure and manage the environmental and social risks and impacts of projects.
- CABEI's Environmental and Social Risk Management System, composed of:
 - System for Identification, Evaluation and Mitigation of Environmental and Social Risks (SIEMAS for its acronym in Spanish): aims to categorize, analyze, 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): its main objective is to establish practices that reduce the environmental and social impacts of CABEI's activities.

CABEI has prioritized the financing of environmental projects in the region, as well as a strengthening of its projects' portfolio with a sustainable development focus. Thus, the issuance of a Green Bond -that seeks to finance green projects- is a means to further engage CABEI's resources to combat climate change and contribute to the economic and social development of its member countries.

Therefore, CABEI's Green Bond issuances intend to redirect financial flows towards strategic sectors with strong contributions that will allow for a transition to a low-carbon economy, including: Sustainable Land Use, Renewable Energy, Sustainable Water Management and Clean Transport.

Overview of CABEI's Green Bond Framework¹

CABEI's Green Bond Framework is aligned with the International Capital Market Association (ICMA) Green Bond Principles as updated in June 2018 and its four components, as detailed below.

1. Renewable Energy <ul style="list-style-type: none">a. Wind energyb. Solar energyc. Geothermal energyd. Bioenergye. Hydropower	2. Sustainable Land Use <ul style="list-style-type: none">a. Forestryb. Agriculture
3. Sustainable Water Management <ul style="list-style-type: none">a. Flood defensesb. Water distributionc. Water treatment	4. Clean Transport <ul style="list-style-type: none">a. Clean Transport

Process for Project Evaluation and Selection

CABEI has established a Multidisciplinary Green Bond Working Group responsible for the evaluation and selection of Eligible Green Projects to be financed through the proceeds from Green Bonds.

CABEI intends to rely on the analysis carried out by its Environmental and Social Sustainability Office. The Working Group's responsibilities include the following:

- Verifying compliance of the Eligible Green Projects with CABEI's Social and Environmental Policy.
- Selecting the Eligible Green Projects in line with the eligibility criteria stated in the Framework's Use of Proceeds section.
- Monitoring the pool of Eligible Green Projects and replacing projects that no longer satisfy eligibility criteria (i.e. divestment, cancellation, ineligibility) with new Eligible Green Projects as may be required; and
- Validating the annual Green Bond report.

¹ Available at: <https://www.bcie.org/en/investor-relations/green-bank/green-bond-framework>

The Green Bond Working Group convenes at least once per year and includes the following relevant parties:

- Finance Department:
 - Debt Capital Markets and External Funding
- Social and Environmental Monitoring Office
- Public Sector Division - Project Formulation Department

Reporting

CABEI is committed to providing investors a report covering the impact of the Eligible Green Projects (impact reporting) on an annual basis for the duration of the Green Bond(s).

This report includes data obtained for the period November 2021 to October 2022 and is based on a fair understanding of expected or assumed environmental impacts resulting in the financing of Green Bond projects.

The Impact Report relies on both output and impact metrics, which are subject to data availability. CABEI relies on its already existing *Development Impact Evaluation System* (SEID by its Spanish acronym), which identifies, qualifies, and quantifies development effects/impacts of all financed operations.

Interpreting impacts and results

- Data reporting is based on *ex ante* estimated impacts, except when indicated as *ex post* (i.e. a project that has been completed and/or has entered operational stage), where results are later updated with actual data upon project completion.
- Impact results may differ from baseline data as they are estimated considering assumptions that are subject to multiple internal or external conditions which ultimately will affect the project's performance.
- It is important to note that each project is independent and executed in different countries, all of which employ different methodologies to estimate impact metrics. Therefore, caution must be exercised when aiming to compare projects and their components.
- The objective of this report is to highlight the environmental and social impacts of projects financed with green bonds. Indicators that respond to each of the components have been indicated in CABEI's Green Bonds Framework. However, these projects consider a wider range of indicators. Therefore, when quantitative data is not available per what has been outlined in the Framework, other indicators have been included to showcase other beneficial impacts.

Green bond issuances

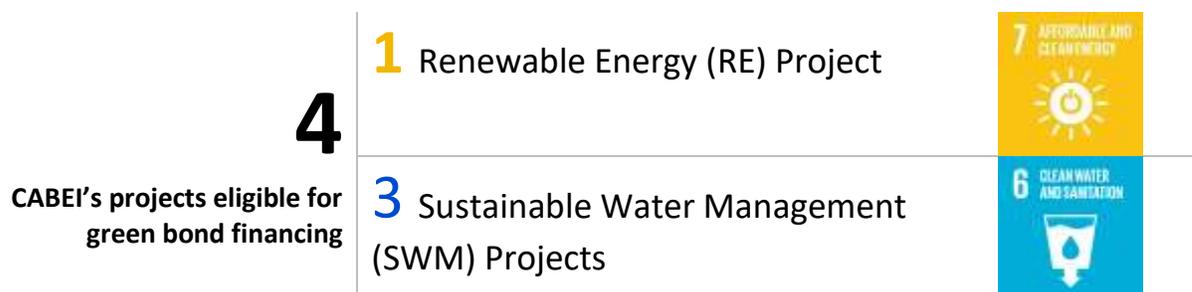
In year 2019, CABEI issued its first Green Bond up to US\$ 375 million. The Green Bond portfolio of eligible projects for the first issuance consists of 9 projects. In this first issuance, the eligible projects can be classified in two of the four existing categories. According to CABEI's Green Bond Framework, the Green Bond Working Group monitors the pool of Eligible Green Projects and replace projects that no longer satisfy eligibility criteria (i.e., divestment, cancellation, ineligibility) with new Eligible Green Projects as may be required. In 2021 five allocated projects were prepaid: Cerro de Hula Wind Project, Cerro de Hula

Wind Project 24 MW Expansion Project, Ojo de Agua Hydroelectric Project, Amayo Phase I Wind Project and Penonomé II Wind Project. These projects were replaced with new eligible projects: Supply Program for the Metropolitan Area of San José and Urban Aqueducts II and Project for the Improvement and Expansion of drinkable Water and Sanitation Systems in 7 cities.

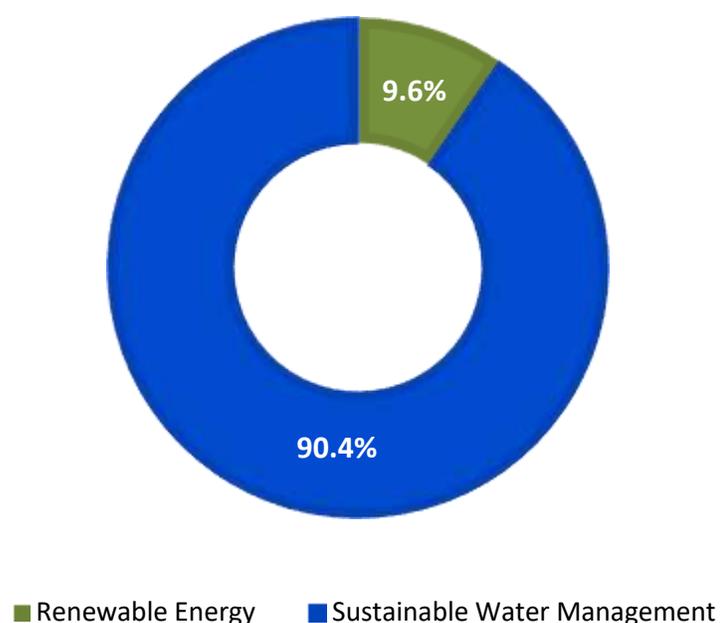
CABEI's second Green bond was issued on November 2021 in the Swiss Market by an amount of CHF 220 million, equivalent to USD 237 million. The Green Bond portfolio of eligible projects for the second issuance consists of 4 projects. In this second issuance, the eligible projects can be classified in two of the four existing components.

This report entails the impact results for the second issuance in the reporting period of November 2021 to October 2022.

Swiss Green Bond 2021: Impact Report Summary



Allocated amount by component



Component	Signed amount (million USD)	Allocated amount (million USD)	Pending Disbursements (million USD)
Subtotal RE	\$81.6	\$22.6	Fully disbursed
Subtotal SWM	\$614.3	\$214.4	\$196.6
Total	\$695.9	\$237	\$196.6

Benefited countries



Results achieved (output and impact indicators)

Renewable Energy:

100	(MW) Installed capacity from solar energy
204,360	(MWh) Annual energy produced from renewable energy
64,523.17	(tCO _{2e} /year) Tons of CO _{2e} avoided per year

Sustainable Water and Waste Management:

112.44	(m ³ /s) Installed capacity for wastewater projects
18,800	(ha) Area under irrigation
115,183,050.00	(m ³ /year) Volume of wastewater treated
51,806,710.00	(m ³ /year) Volume of drinking water produced
4	(#) Facilities built – Wastewater treatment plants
6	(#) Facilities built – Water reservoirs
145,953	(#) New connections to the drinking water system
24,307	(#) New connections to the sewerage system

Allocated Projects by Component

Renewable Energy	Country	Subsector	Signed Amount	Eligibility for green bonds	RE component	Allocated amount	Project lifetime ²	Installed capacity (MW)	Power Energy production (MWh)	Avoided GHG emissions (in tCO ₂ e /year) ³
Project name			(USD)	% of signed amount	% of allocated amount	(USD)	in years	MW	MWh	in tons of CO ₂ equivalent
1. Proyecto Bósforo	El Salvador	Solar energy	81,613,683.00	28	100	22,659,287.45	18	100	204,360	64,523.17
Total			81,613,683.00		100	22,659,287.45		100	204,360	64,523.17

² Reference is based on the expected financial life of the project.

³ Calculations using the AFD Carbon Footprint Tool. Also, data on net energy generation for these countries is published by UN's ECLAC, as well as from specific reports of each project.

Sustainable Water and Waste Management	Country	Subsector	Signed Amount	Eligibility for green bonds	SWM component	Allocated amount	Project lifetime ⁴	Facilities built (#)	New connections (#)	Other indicators
Project name			(USD)	% of signed amount	% of allocated amount	(USD)	in years	#	#	Value
2. Proyecto de Saneamiento de Bluefields	Nicaragua	Water treatment	38,804,000.00	46	8	17,804,000.00	15	1 – wastewater treatment plant	• 5,591 – to the sewerage system	<ul style="list-style-type: none"> • 106,407,599 m³/year – volume of wastewater treated • 0.06 m³/s – installed capacity
3. Programa de Saneamiento Ambiental del Lago de Managua en la Ribera Sur	Nicaragua	Water treatment	151,449,270.00	29	21	44,349,300.00	20	3 – wastewater treatment plant 2 – water reservoirs	<ul style="list-style-type: none"> • 18,716 – to the sewerage system • 3,944 – to the drinking water system 	<ul style="list-style-type: none"> • 8,712,451 m³/year – volume of wastewater treated • 112.38 m³/s – installed capacity • 51,806,710 m³/year – volume of water produced
4. Proyecto de Abastecimiento de agua para la cuenca media del Rio Tempisque y comunidades costeras PAACUME	Costa Rica	Water distribution	425,000,000.00	36	71	152,256,378.07	20	4 – water reservoirs	• 142,009 – to the drinking water system	• 18,800 ha – irrigation area
Total			614,353,270.00		100	214,409,678.07		10	170,260	

⁴ Reference is based on the expected financial life of the project.