



GREEN BOND IMPACT REPORT 2020



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INTRODUCTION

The Central American Bank for Economic Integration (CABEI) is the main development bank of the Central American countries, established with the objective of promoting economic integration and balanced economic and social development in Central America. CABEI was established in 1960 and is currently comprised of 15 countries, including: Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica as founding members, 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 economic and social development of the Central American region, including not only founding countries but also non-founding countries. CABEI endeavors to attend and align itself with the interests of all of its member countries.

As an international multilateral development bank, CABEI invests all of 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 strengthened and focused its sustainable development strategy with environmental and social commitments. In fact, by including the environmental sustainability concept, CABEI aims not only to improve the quality of life in its member countries but also strives for a more sustainable development of its territory and resources.

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 for CABEI to further engage its 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 FRAMEWORK

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

- a. Wind energy
- b. Solar energy
- c. Geothermal energy
- d. Bioenergy
- e. Hydropower

2. Sustainable Land Use

- a. Forestry
- b. Agriculture

3. Sustainable Water Management

- a. Flood defenses
- b. Water distribution
- c. Water treatment

4. Clean Transport

- 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.

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

- Finance Division
- Environmental and Social Sustainability Office
- Public Sector Division
- Private Sector Division

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 first report 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

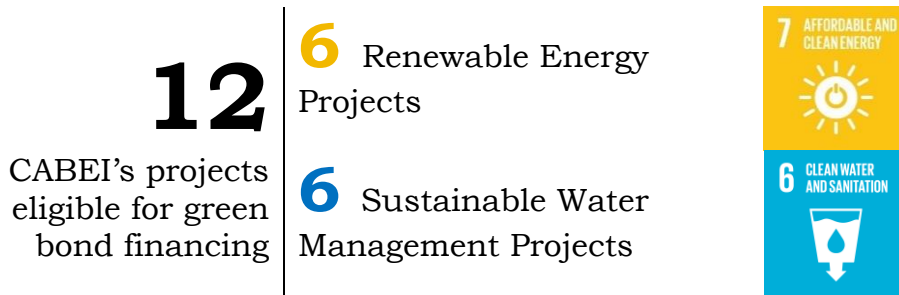
- Data reporting is based on *ex ante* estimated impacts, except when indicated as *ex post* (i.e. a project that has been completed), where results are later updated with actual data upon project completion.
- Impact results may differ from baseline data as they are estimated considering assumptions 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.

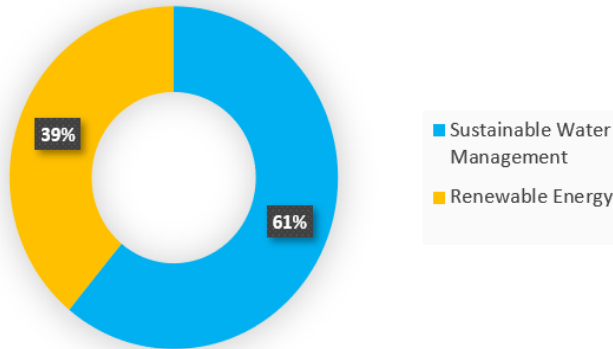
2019 Issuance

CABEI issued its first Green Bond up to US\$ 375 million. The Green Bond portfolio of eligible projects consists of 12 projects. In this first issuance, the eligible projects can be classified in two of the four existing components.

GREEN BOND IMPACT REPORT SUMMARY



Assigned Amount by component¹



Component	Assigned Amount (In Millions)	Allocated Amount (In Millions)	In process to be disbursed (In Millions)
Subtotal RE	\$144.58	\$144.58	\$0.00
Subtotal SWM	\$230.42	\$163.40	\$67.0
Total	\$375.00	\$307.98	\$67.00

¹ As of December 31, 2019

Benefited countries:



Renewable Energy (Project completed):

- 417.70 MW** Renewable capacity from wind and hydropower energy.
- 1,194.90 GWh** Annual energy produced from renewable energy.
- 793,065.67** Tons of CO₂ avoided per year.

Sustainable Water and Waste Management (Project completed):

- 0.0032** (m³/s) water produced
- 33,857** (ha) under irrigation

Sustainable Water and Waste Management (Projects in progress):

- 1.0829** (m³/s) water produced
- 89** Facilities built
- 80** Upgraded facilities
- 337,305** New connections to the drinking-water supply
- 14,188** New connections to the sewerage system
- 1,202,213** People with access to drinking water in Costa Rica

ELIGIBLE PROJECTS BY COMPONENT

Renewable Energy Component

Renewable Energy	Country	Subsector	Signed Amount	Eligibility for green bonds	RE component	Assigned amount	Project lifetime ²	Installed capacity (MW)	Power Energy production (MWh)	Avoided GHG emissions (in t. CO2e /year) ³
Project name			(USD thousands)	% of signed amount	% of signed amount	(USD thousands)	in years	MW	MWh	in tons of CO2 equivalent
								Projects Completed		
1. Proyecto Eólico Cerro de Hula: construction and commissioning of a wind power plant. It represents an increase of 102 MW of installed capacity for the country and an improvement in the supply of energy nationwide.	Honduras	Wind	\$60,007.42	52%	22%	\$31,351.25	15	102	377,976	243,144
2. Proyecto Ampliación de 24 MW del proyecto eólico Cerro de Hula: expansion of the existing Cerro de Hula wind farm (102 MW).	Honduras	Wind	\$24,100.00	65%	11%	\$15,566.26	15	24	88,936	57,210
3. Proyecto Hidroeléctrico Ojo de Agua: design, construction and commissioning of a run-off-river hydroelectric power plant. The plant is connected to the national interconnected system whilst increasing Honduras' renewable energy installed capacity.	Honduras	Hydropower	\$33,000.00	53%	12%	\$17,584.10	13	22.5	103,628	66,662
4. Proyecto Eólico Amayo Fase I: Construction and operation of a generation plant that uses wind as the primary source of energy in Nicaragua.	Nicaragua	Wind	\$71,250.00	36%	18%	\$25,559.63	15	39.9	168,318	114,357
5. Proyecto Construcción de la Central Hidroeléctrica Larreynaga: design and construction and start-up of a run-off-river Hydroelectric Power Station, this yielded an increase in the production of renewable energy, diversifying the national energy matrix.	Nicaragua	Hydropower	\$36,718.00	82%	20%	\$30,160.10	15	17.3	84,898	57,680
6. Proyecto Eólico Penonomé II: It aims to reduce the country's energy vulnerability by increasing the share of renewable energy to the national interconnected system.	Panamá	Wind	\$30,000.00	81%	17%	\$24,363.00	17	215	492,285	290,833
Total			\$255,075.42			\$144,584.34		417.70	1,194,908.00	793,065.67

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

³ Reference is made to grid emission factors issued by the Institute of Global Environmental Strategies (IGES) for: Honduras, Panama and Nicaragua. 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 Management Component

Sustainable Water Management	Country	Signed Amount	Eligibility for green bonds	SWM component	Assigned amount	Project lifetime ⁴	Volume of water produced (m3)	Number of facilities built	Other Indicators
Project name	country	(USD thousands)	% of signed amount	% of signed amount	(USD thousands)	in years	m3/s	Value	Value
							Project Completed		
7. Programa de Gestión Integrada de Recursos Hídricos: contribute to sustainable human development through the integrated management of water resources.	Costa Rica	\$35,014.01	72%	11%	\$25,243.41	15	0.0032	n/a	• 33,857 (ha) under irrigation
							Projects in Progress		
8. Programa de Abastecimiento del Área Metropolitana de San José, Acueductos Urbanos y Alcantarillado Sanitario de Puerto Viejo de Limón: improvement in the quality of water service and in the generation and provision/distribution of water supply, through replacement of distribution networks, rehabilitation and improvements in drinking water treatment plants.	Costa Rica	\$103,505.00	63%	28%	\$64,927.19	15	0.0029	n/a	• 1,202,213 people with access to drinking water
							0.08	n/a	
9. Proyecto Rehabilitación de la Planta Potabilizadora de Las Pavas: rehabilitation of water treatment plant and its three pumping stations, with the purpose of prolonging its useful life and improving the drinking water supply of the Metropolitan Area of San Salvador, El Salvador.	El Salvador	\$16,982.50	100%	7%	\$16,982.50	15	0.6	n/a	• 319,997 new connections to the drinking-water supply
10. Proyecto Mejoramiento y Ampliación de los Sistemas de Abastecimiento de Agua Potable y Saneamiento en 19 Ciudades Nicaragua: supplying access to drinking water and sanitary sewerage in 19 Nicaraguan cities. Improvement in the quality of water and sewerage service.	Nicaragua	\$100,069.30	92%	40%	\$93,397.83	15	- ⁵	4	• 17,308 new connections to the drinking-water supply • 7,900 new connections to the sewerage system
11. Programa de Sostenibilidad del Sector Agua y Saneamiento Rural: contributing to the social well-being of families in rural areas, through access to the service of water supply and sanitation in the poorest municipalities of the Nicaragua	Nicaragua	\$30,000.00	94%	13%	\$28,282.71	15	0.02	n/a	• 6,288 new connections to the sewerage system
12. Programa Sectorial de Agua y Saneamiento: aiming to expand the coverage of drinking water and sanitation services in various cities of the of Honduras.	Honduras	\$46,500.00	3%	1%	\$1,581.59	15	0.38	85	• 80 upgraded facilities
Total		\$332,070.81			\$230,415.23		1.0829	89	

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

⁵ “-” Indicator is not measured/reported for this project.

n/a – Indicator is not applicable for this project.