CABEI's Green Bond ratifies its commitment to a sustainable Central America
The issuance of green bonds will lead to environmental sustainability and climate change mitigation in Central America, while contributing to fulfilling the Sustainable Development Goals (SDGs)

For the Central American Bank for Economic Integration (CABEI), the issuance of green bonds constitutes an ambitious new project, which will favor the channeling of funds from international financial markets to projects aimed at strengthening environmental sustainability and mitigating the impacts of climate change in its member countries.

Environmental sustainability is a cross-cutting axis of CABEI’s 2020-2024 Institutional Strategy. To that end, all programs and projects undergo an environmental analysis before being approved.

Green bonds represent a new source of financing to reach investors that are committed to environmental sustainability and who identify with CABEI's commitment in this field, as well as with the nature of the development projects it finances.

On October 31, 2019, CABEI carried out the issuance of US$375 million in green bonds, which were placed on the Luxembourg and Taipei stock exchanges with a 5-year term; such issues have reached an aggregate demand of approximately US$974 million (3.2 times the original amount offered). This was the Bank’s first issue under the “Green Bond Principles,” which are based on international best practices for the issuance of green bonds.

CABEI's foray into the issuance of green bonds is the latest in a series of initiatives that have been implemented by the institution in recent years to support its member countries in actions to mitigate the effects of climate change.

As part of such process, the Bank has received widely recognized international accreditations for their relevance in the fight against climate change. Among them are the accreditation granted by the Adaptation Fund in 2015, which qualifies the Bank as a “Regional Implementing Entity.” Additionally, in December 2016, the Green Climate Fund accredited CABEI to access financing from the fund and manage large-scale projects (over US$250 million) with the highest risk categories.

That same year, the Bank made its first green bond placement in the Uridashi market in Japan under the “best effort” format; this first experience in the area was essential for CABEI to subsequently issue its first green bond in compliance with the 2019 green bond principles.

A project based on best practices
For CABEI Executive President, Dr. Dante Mossi, the process to reach the issuance of green bonds under the best international practices has not been easy. However, the Bank has an integral system for evaluating, managing and developing projects aimed at environmental sustainability, which enable it to generate a loan portfolio for eligible projects to access said financing figure.

Dr. Mossi stated that, "Green bonds have evolved to become the most powerful and relevant financial tool for channeling funds towards sustainable development initiatives worldwide, and they differ from traditional bonds in that they assure the investors that the funds obtained will be used in the financing of projects that promote environmental sustainability and climate change mitigation."
Based on the above and in line with its interest in implementing international best practices in all its initiatives, CABEI signed an agreement with the Climate Bond Initiative (CBI), by means of which it ensured its support, training and advice in the development process of a “Green Bond Framework.” CBI is an international organization whose sole objective is to mobilize the largest amount of funds from international capital markets towards solutions that mitigate the effects of climate change.

Subsequently, the Bank hired two investment entities to carry out a green bond issue aimed at investors in Europe and Asia.

In addition, the Bank created a multidisciplinary team of specialists from different areas, who, with the support of CBI and investment banks, developed the “CABEI Green Bond Framework”. Said instrument integrates and articulates all the activities, initiatives and systems implemented by the bank in the evaluation, management and financing of projects with an impact on environmental sustainability, as well as the criteria and categories of projects that the Bank will consider eligible to receive green bond funds. All the aforementioned is in line with the “Green Bond Principles;” compliance with the latter has become an indispensable requirement for international investors to participate in new issues.

Prior to the issue, CABEI had to submit its new “Green Bond Framework” to a rigorous independent evaluation by a certified institution. To that end, it hired the services of “Sustainalytics,” which issued an opinion that is known as a “Second Party Opinion” (SPO) towards the “CABEI Green Bond Framework” and granted a favorable opinion, pointing out that the “CABEI Green Bond Framework is aligned with the Bank's sustainable development strategy and that the use of the funds obtained in the issuance of green bonds in environmental and social initiatives will lead to progress on a number of Sustainable Development Goals (SDGs).” Additionally, Sustainalytics expressed that, “By adhering to a rigorous project eligibility criterion, demonstrating a structured and transparent process in the selection of projects that ensures the mitigation of social and environmental risks, committing to the management of funds in line with best market practices and reporting the allocation of funds, while monitoring relevant quantitative indicators, the CABEI Green Bond Framework is robust, reliable and in line with the four main components that compose the 2018 Green Bond Principles.”

Subsequent to obtaining the highest credentials regarding its capabilities to issue green bonds, the Bank, in conjunction with investment banks, held roadshows to visit current and potential investors in different financial centers, including Singapore, Hong Kong, Taiwan, London, Paris, Frankfurt, Munich and Zurich, to whom a presentation was made focusing on the evolution and strengthening of the Bank’s financial and institutional profile over recent years, as well as its new “Green Bond Framework.”

Finally, on October 31, 2019, after talks held by the placement banks with investors in Asia and Europe, the Bank announced to the general market its interest in issuing green bonds for an amount of up to US$300 million with a 5-year term. At the close of business on that day in London time, CABEI received a total demand for the issue of US$973.90 million, equivalent to 3.2 times the initial amount announced. Based on the over-demand received and the favorable market conditions, it was decided to increase the original amount of the issue by 25% to a total amount of US$375 million.

“Dr. Mossi added that, “The Bank launched a US$300 million bond placement listed on the Taipei and Luxembourg stock exchanges, which received a demand of almost US$1 billion; this allowed it to increase the issue amount to US$375 million without increase cost. 75% of the demand received came from Asia, mainly from investors from the Republic of China Taiwan, which shows the strong positioning and broad investor bases the Bank has developed in said region. For its part, the remaining 25% came from European investors composed of supranational institutions, development banks and investors specialized in green bonds.”
Furthermore, Dr. Mossi explained that, "The issue also reflects the positive effect that CABEI generates with its extra-regional member in Europe, such as Spain, and its two extra-regional Asian members, Taiwan and Korea."

**Bond Purpose**

The green bond seeks to publicize CABEI's interest and relevance in the financing of sustainable development projects in line with international best practices and its positive effect on the United Nations 2030 agenda of sustainable development goals (SDGs), as well as to promote its commitment to such initiative by renouncing the financing of energy sources associated with natural coal, ensuring direct and unrestricted access to capital markets to finance eligible long-term green projects in the Central American region.

The Bank's activity is in line with its commitment towards a green region and contributes to the achievement of the Sustainable Development Goals (SDGs).