The CEB’s Social Inclusion Bonds

In 2017, the CEB issued its inaugural Social Inclusion Bond, dedicated to financing social housing, education and micro, small and medium-sized enterprises (MSMEs). Since then, two more such issuances have followed, one in 2018 and another in 2019, each redirecting the proceeds to those same high-impact sectors.

The CEB’s bonds follow the framework of the International Capital Market Association’s (ICMA) well-known Social Bond Principles, especially appreciated by investors as bonds issued thereunder adhere to a set of requirements. For example, the CEB commits to report in the calendar year following the year in which the Social Inclusion Bond was issued on:

- the allocation of the proceeds, e.g. sectors and project types,
- the social impact, e.g. people effected.

The CEB is positioned at the forefront of the social bond market and, in 2019, was one of the first institutions to make use of the Harmonized Framework for Impact Reporting for Social Bonds, published by ICMA’s Social Bond Working Group in June 2018. This reporting template presents the data in a clear and precise format, including the SDGs addressed per project.

In addition to these commitments for transparency and disclosure, external sustainability experts (i.e. Sustainalytics) provide their opinion on the social quality of the financed eligible social loans and assess the alignment of the Bank’s Social Inclusion Bond Framework with the CEB’s sustainability objectives and with ICMA’s Social Bond Principles. Furthermore, the allocation of proceeds to social loans is reviewed by the Bank’s external auditors.

-focus- 

Eligibility criteria for projects under Social Inclusion Bonds

In its Social Inclusion Bond Framework, the CEB defines in great detail the types and characteristics of projects eligible for funding under the social bond scheme. The criteria are as follows:

- Social housing for low-income households: housing renovation, construction or refurbishing and conversion of buildings into housing.
- Education and vocational training: education, including vocational training, and related basic infrastructure that provides access to education and vocational training.
- Supporting MSMEs for the creation and preservation of viable jobs: access to credit for MSMEs in order to promote the creation and preservation of viable jobs.

To learn more about the CEB’s framework for its flagship Social Inclusion Bonds, see here: https://coebank.org/en/investor-relations/funding/.
Note: The impact reported by the CEB concerns the total project. The CEB usually finances a portion of such projects and therefore contributes financially to only a share of the benefits.

ESG Investment

In 2014, the CEB started to invest in green, social and sustainable bond transactions, adhering to what have become the ICMA Principles. The Bank’s treasury team also operates with a list of exclusion criteria, e.g. no investment in oil and gas or weapon manufacturers, etc., and the treasury staff usually meets the issuers of such transactions on a yearly basis.

As of 31 December 2019, the Bank’s ‘responsible investments’ amounted to about 6% of the Bank’s total investment portfolio.

Creating transparency: focus on the bond’s impact

While the bond issuances contribute to developing the market for sustainable financial products and to helping to attract new types of investors, the main impact of these bonds comes through linking the proceeds to concrete projects that have a solid social value.

Aggregating the measures of impact for the CEB’s first three Social Inclusion Bonds, the numbers speak for themselves:

- 46 projects were financed in 19 countries, with a focus on education, micro, small, and medium-sized enterprises and social housing.
- Total project financing leveraged stands at €4.3 billion, far beyond the €1.5 billion initially raised through the CEB bonds.
- The financing enabled a total of 10 638 dwelling units of social housing to be built or renovated.
- 11 334 jobs are estimated to have been created and 218 354 jobs have been preserved.
- Education investments, e.g. in schools, cultural institutions and sports centres, have been made for the benefit of 224 501 students.

“The CEB’s Social Inclusion Bonds now constitute a reference for ESG investors. Given the strong investor support we have received, over the past three years we have built a benchmark curve which we intend to extend even further.”

Arturo Seco Presencio, Deputy Director of the Finance Directorate, Head of Funding Division, Head of Treasury & Asset & Liability Management Division