

1. **Project Description and Overview of IDB Invest E&S Review:** This project aims to increase access for financing of small and medium sized agroindustry producers in accordance to IDB Invest's policies and subject to the List of Excluded Activities. It is important to mention that Banpro is the most important market player in providing financing to the Nicaraguan agroindustry value chain (36% market share). Currently, more than 60% of the country's exports rely on this sector. The environmental and social ("E&S") review of the proposed transaction was carried out through desk research, multiple conversations with the E&S team and Finance team, and a review of Banpro's Environmental and Social Management System and procedures.
2. **Environmental and Social Categorization and Rationale:** This operation is classified as an FI-2 under the IDB Invest Environmental and Social Sustainability Policy. Based upon the nature of these transactions (provide medium-term funding to small and medium sized agroindustry producers), they are likely to be of limited to moderate direct and indirect environmental, social, health and safety ("ESHS") and/or labor impacts and risks. The average sub-loan size is estimated to be around US\$200,000. These activities in agrobusiness, present risks in the form of possible air, water and soil contamination, noise and vibration, occupational health and safety, land-use conversion, deforestation, generation of wastes, use of hazardous substances, transport-related impacts, and supply chains. However, no Category A projects, according to the IDB Invest classification, will be authorized.
3. **Environmental and Social Risks and Impacts:** Sub-project environmental and social risks within the small and medium sized agroindustry producers may be related to air, water and soil contamination (spills), noise and vibration, occupational health and safety, land-use conversion, deforestation, generation of wastes, use of hazardous substances, transport-related impacts, and supply chains. Since 2014, Banpro has in place an Environmental and Social Management System ("ESMS"), consisting of a Manual of Environmental and Social Risk Management Policies and a Manual of Environmental and Social Risk Management Processes^[1] that identifies and manages the E&S risks of any transaction in its portfolio. Its ESMS includes an E&S risk management policy, a financing exclusion list based on the E&S policy, risk categorization guide, several sector checklists depending on risk / sector, respective roles and responsibilities, adequate E&S risk assessment procedures, E&S covenants included in the standard loan contract, and annual visits or evidence of compliance during the monitoring period. This ESMS system is staffed and managed by a qualified team, led by a Business Credit Risk Manager, who manages and complies with the E&S risk management policy, ensure the resources and leads the improvement process for the correct management of the E&S risks; and an Environmental and Social Risk Executive, trained to manage E&S risks and impacts, complies with the E&S risk site visit program, designs the E&S risk classification tools, prepares the E&S monitoring reports, and review and update the ESMS.
4. **Mitigation Measures:** Banpro will be required to ensure that the sub-loans financed with funds from the Project comply with the IDB Invest Exclusion List and applicable E&S local national laws and regulation, through the evaluation, management and monitoring processes of their existing ESMS, and for those high-risk projects, based on Banpro's categorization process within their ESMS, ensure compliance with good practice guidelines in the context of Agriculture, Livestock, and Agro-Industry on-lending. Additionally, illegal deforestation with IDB Invest's funds will not be permitted and will be controlled and monitored through compliance with all environmental laws, specifically the Environmental Impact Assessment ("EIA") authorization and/or forestry permitting. Finally, Banpro will be required to upgrade their External Communication or Grievance Mechanism to review inquiries or complaints from any interested party regarding the E&S risks and impacts of their operations, and to report annually and provide monitoring reports of client activity, according to its existing ESMS.
5. **Environmental and Social Action Plan (ESAP):** See Table 1 below **"Environmental and**

Social Action Plan".

No. Task	Description	Expected Deliverable	Deadline
1	Grievance Mechanism	Upgraded grievance mechanism	Depending on IT Support availability, but no longer than 6 months after first disbursement.

6. For inquiries and comments to IDB Invest, contact: IDB Invest's Communications Group E-mail: requestinformation@idbinvest.org. For project inquiries, including environmental and social questions related to an IDB Invest investment, please contact the client or the IDB Invest using the contact information provided above. As a last resort, affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism. Tel: +1 (202) 623-3952 / Fax: +1 (202) 312-4057 / Address: 1300 New York Ave. NW Washington, DC. USA. 20577 / E-mail: mecanismo@iadb.org or MICI@iadb.org.

[1] Environmental and Social Risk Management Policies Manual - v001, Code MPO-VGGR-GRCE-ARAS; last updated in December 3, 2014; Environmental and Social Risk Management Processes Manual- v001, Code MPR-VGGR-GRCE-ARAS, last updated in December 3, 2014.