

1. **Scope of Environmental and Social Review.** The Environmental and Social (“E&S”) review of the proposed transaction was carried out through desk research, client phone calls, and a portfolio review. AVLA is a new client of IDB Invest and does not have an operating Environmental and Social Management System (“ESMS”). As a condition of this operation, AVLA will develop and implement an ESMS, and appoint a team member with the necessary capacity to manage and supervise E&S risk.
2. **Environmental and Social Categorization and Rationale.** The proposed operation is classified as an FI-2 per IDB Invest’s Sustainability Policy, given the primary focus on SMEs. The sub-loans are expected to average US\$400,000 with a tenor of roughly four (4) years. Category A sub-projects, per IDB Invest’s definition, will be excluded.
3. **Environmental and Social (E&S) Risks and Impacts.** The main E&S risks of this projects are associated with AVLA’s capacity to identify and manage the E&S risks associated with its activities. The Environmental Social Health and Safety (“ESHS”) impacts and risks associated with loans to SMEs are likely to be moderate in nature. AVLA’s portfolio is concentrated in commerce and services (62%), as well as exposure to construction (12%), agriculture (13%), and manufacturing (5%).
4. **Mitigation Measures.** AVLA does not currently have an ESMS and will develop one.. The ESMS will apply at a minimum to the financial guarantee and private credit insurance business lines. AVLA will be required to ensure that all loans supported under the operation comply with IDB Invest’s Exclusion List, applicable E&S local laws, and the ESMS. Sub-loans will be limited to US\$2 million. The scope of the ESMS is defined in the below action plan.

5. Environmental and Social Action Plan

Activity	Description	Timeline
ESMS development and implementation	AVLA will be required to develop an ESMS consistent with IDB Invest Requirements and IFC Performance Standard 1. As part of this requirement, AVLA will form an ESMS committee (including credit risk, portfolio, and product development, among others) and assign a dedicated staff member to oversee development and operation of the ESMS. The ESMS will be designed in line with the guidance provided within IFC’s Interpretation Note for FIs.	3 months post disbursement (form committee) 9 months post disbursement (develop ESMS)
Appointment of ESMS manager	AVLA will appoint an ESMS Manager responsible for guiding the work of the committee and will be responsible for reviewing/overseeing all E&S analysis.	At disbursement
Training	AVLA will ensure the ESMS manager and corresponding commercial team are trained on the ESMS, its function within AVLA and E&S risk management concepts generally.	Six months after disbursement.

6. Contact Information For project inquiries, including environmental and social questions related to an IDB Invest transaction please contact the client (see **Investment Summary** tab), or IDB

Invest using the email divulgacionpublica@iadb.org. As a last resort, affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism by writing to mecanismo@iadb.org or MICI@iadb.org, or calling +1(202) 623-3952.
