

1. **Project Description.** This Project aims to increase access to financing for SMEs in Costa Rica by supporting the growth of Desyfin's SME portfolio through factoring and leasing products.
2. **Environmental and Social ("E&S") Categorization and Rationale.** The Project is classified as an FI-3 under the IIC's Sustainability Policy. Based upon the nature of these transactions, through factoring and leasing products, and the financial exposure within the proposed portfolio, the business activities will predominantly have minimal or no adverse environmental, social, health and safety ("ESHS") and/or labor impacts and risks. The composition of the portfolio consists of commercial loans (23%); public administration sector (19%); construction (18%); services (18%); and others (22%). The Project's sub-loans will not exceed the value of US\$250,00.00.
3. **E&S Risks and Impacts.** Sub-project E&S risks within the SME segment may be related to air, water and soil contamination (spills), noise and vibration, occupational health and safety and supply chains. Given the type of activities engaged by Desyfin's SME loans, these risks will be minimal or non-adverse in nature. Desyfin has in place an Environmental and Social Management System ("ESMS")[1] to identify and manage the E&S risks of its portfolio. Its systems include adequate E&S procedures and has a qualified team, led by a Corporate Social Responsibility Committee, trained to manage E&S risks and impacts; however, there are improvements regarding capacity strengthening and training, risk categorization and the grievance mechanism.
4. **Mitigation Measures.** Desyfin 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. Also, Desyfin will redefine and improve the E&S inherent risk categorization process for the Project's sub-loans, within their ESMS. To enable the Desyfin to better understand IDB Invest's requirements, Desyfin will be required to undergo a training for E&S risk management for Financial Intermediaries ("FI"). Desyfin will also 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. Finally, Desyfin will be required to report annually and provide monitoring reports of client activity.
5. **Environmental and Social Action Plan ("ESAP")**

No.	Task	Description	Expected Deliverable	Deadline
1	Capacity Strengthening & Training.	Reinforcement training of senior management, loan officers and credit analysts on E&S requirements under local national laws, by experienced consultants acceptable to IDB Invest or by attending the IDB Invest's E&S Risk Management training workshop for FIs or IDB's E&S on-line courses.[2] Finally, for those newly hired personnel, provide E&S training during Desyfin's induction program.	Evidence in the form of at least one E&S training certificate for key senior management, loan officers and credit analysts, as well as evidence of E&S training for those newly hired personnel.	Depending on quality training availability/timelines, but no longer than six months after first disbursement.

No.	Task	Description	Expected Deliverable	Deadline
2	E&S Risk Categorization	Redefine and improve the categorization process of the E&S inherent risk of those activities defined in the activity listing by General Superintendent of Financial Institutions ("SUGEF", for its acronym in Spanish), within the ESMS.	Updated ESMS manual and other relevant/related documents.	Before first disbursement.
3	Grievance Mechanism	Upgrade Financiera Desyfin external communication or grievance mechanism to review inquiries or complaints from any interested party regarding the E&S risks and impacts of their operations.	Upgraded grievance mechanism.	Depending on Information Technology ("IT") Support availability, but no longer than six months after first disbursement.

[1] Corporate Social Responsibility Manual - Version 04; Doc. # 1.50.10; June 2013.

[2] [IDB's Environmental & Social Online Courses](#)