

1. Project Description: See Project Information Tab 2. Environmental and Social Categorization and Rational: This operation is classified as an FI 2 under the IIC's Sustainability Policy. Based upon the nature of this transaction (i.e. a partnership to provide medium term funding to SMEs), there are likely to be minor to moderate indirect environmental, social or health and safety (ESHS) and labor impacts and risks. Banpaís' portfolio is concentrated in commerce, service and housing sectors, with some minor exposure to agriculture (8.6%), energy (4.0%) and industry (9.4%). The average sub-loan value within the SME portfolio is valued at US\$71,000. While the portfolio concentration is generally in low risk sectors, the heightened country risk concern related to broader social and environmental issues heightens the risk profile of this Loan and justifies the FI-2 categorization.

3. Environmental and Social Risks and Impacts: Sub-project environmental and social risks are likely to be diverse depending on the sub-project and could relate to occupational health and safety, land-use change, pesticide/chemical use, and waste generation and treatment. Banpaís will be required to manage these risks through the application of an Environmental and Social Management System (ESMS) with particular attention given to operations where there may be heightened risk (based on exposure and sector). Banpaís has developed a draft ESMS with the support of an international consultant, and has initiated the implementation process. The ESMS includes application of an Exclusion List, National Laws, a categorization process, completion of due diligence questionnaires, monitoring, and periodic internal evaluation. For certain high risk loans, the International Finance Corporation ("IFC") Performance Standards will be applied. Under this loan, Banpaís will be required to implement an action plan (see below) and submit their final ESMS to IIC prior to first disbursement.

4. Mitigation Measures/E&S Action Plan: Submit to IIC prior to first disbursement the final Board Approved version of Banpaís' ESMS for review, and an updated implementation schedule. Banpaís will undertake an IFC Performance Standard review of high risk sub-loans defined as Category A. The ESMS will reflect this clause, and the specific nature of what included in the Environmental and Social (E&S) Division due diligence. Banpaís will undertake an independent assessment of their ESMS one year after disbursement to evaluate ESMS effectiveness and define critical gaps. Banpaís will coordinate with IIC in the selection of the consultant and the definition of the terms of reference. Banpaís will report annually, and also include reference to all sub-loans rejected on the basis of environmental and social issues.