

1. **Scope of Environmental and Social Review.** The environmental and social (“E&S”) review of the proposed transaction was carried out through desk research, phone calls, and an extensive review and audit of the client’s existing E&S management system and policies. The client is an existing IDB client. On the whole, the client was found to be in compliance with requirements with strong environmental and social commitment. An action plan has been agreed that addresses gaps and areas for improvement.
2. **Environmental and Social Categorization and Rationale.** The proposed operation is classified as an FI-2 per IDB Invest’s Sustainability Policy. Sub-Investments to be supported will be primarily in the SME and Corporate sectors with 50% of the line being defined as greenline financing according to established criteria. Sub-loans will average US\$500K for SMEs, and US\$2 million for Green loans under the corporate segment. Category A sub-projects, per IDB Invest’s definition, will be excluded from the Fund’s financing.
3. **Environmental and Social Risks and Impacts.** The main E&S risks of this project are associated with FI’s capacity to identify and manage the E&S risks associated with its lending activities. BanBif’s capacity in this respect is considered high, based on previous work with IDB Group and other DFIs (see Mitigation). The ESHS impacts and risks associated with loans to SMEs are likely to be minimal to moderate in nature. The SME portfolio is concentrated in commerce (24%), manufacturing (11%), and housing (9.4%); higher risk sectors are smaller in nature dominated by manufacturing agriculture (7.4%) with mining (2.5%) and construction (3.5%) also present. While BanBif’s greenline segment is emerging, likely segments will include agricultural machinery, water efficiency, energy efficiency, solar, and possibly small-scale hydro under 5MW. The ESHS risks and impacts could include, for example: (i) habitat conversion and degradation (agriculture, green); (ii) poor land use (industry, agriculture, manufacturing), (iii) stress/contamination of water resources (agriculture, manufacturing), (iv) waste management; and (v) use of migratory or informal labor (agriculture, livestock). As a component of this green line, BanBif will enhance its capacity to identify greenline opportunities, and a technical assistance package will develop eligibility criteria.
4. **Mitigation Measures.** BanBif will be required to ensure that all loans supported comply with IDB Invest’s Exclusion List, applicable E&S local laws, and BanBif’s existing Environmental and Social Management System (“ESMS”). With the equity investment by another DFI bank, BanBif has made substantive improvements to its overall risk management, with recent attention being given to internal capacity building, system standardization and development, improved E&S communication from Senior Management, and delegation of some E&S tasks to the commercial department. Through this loan, BanBif will be required to further strengthen the operation of its ESMS. Additionally, a technical assistance (“TA”) package is being developed with the aim to incorporate climate considerations into the ESMS, develop market-based eligibility criteria for green lending, and update the ESMS to account for new green opportunities. An Action Plan below defines these enhancement areas.
5. **Environmental and Social Action Plan**

Task	Description	Deadline
Update of ESMS	Enhance ESMS to address E&S risks/opportunities present under a new green line product. Incorporate a climate change analysis within the ESMS. ESMS will reflect the performance requirements to achieve a 20% improvement in sectors financed (energy, water, resource efficiency, etc.), and confirm eligibility against established criteria.	1 year post disbursement

Training	Through an IDB Invest/BanBif defined technical assistance package, strengthen institutional capacity related to green lines, in particular (i) training commercial teams on opportunity identification; (ii) defining methodologies for measuring green line performance; (iii) defining strategic alliances at the local level to help structure and originate opportunities.	To be defined under the TA
Green line portfolio development	With the support of IDB Invest and the assistance of a consultant (individual or firm) contracted for the purpose, BanBif will undertake activities aimed at identifying and capturing opportunities for “green” and climate resilient lending, and developing the institutional capacity required for originating, structuring and placing such products. BanBif will consider contributing in kind and/or financially to cover the cost of the consultant alongside IDB Invest.	Terms of reference and contribution in general, from BanBif, to be confirmed by first disbursement.

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 requestinformation@idbinvest.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.