**Préstamo global de crédito para el financiamiento del**

**desarrollo productivo de El Salvador**

(ES-L1089)

SCHEME TO MANAGE ENVIRONMENTAL AND SOCIAL RISKS

1. Project Description and Background
   1. The objective of the proposed “Línea De Crédito para el Financiamiento del Desarrollo Productivo de El Salvador” (the Project) is to support productivity increase of the micro small and medium enterprises (MSMEs), in El Salvador. The Project would increase access to medium to long term-financing to MSMEs to finance investment projects as well as productive reconversion. The Project presents a credit fund of US$ 99,5 million that will provide medium to long-term credit to financial intermediaries (regulated or not regulated) to finance investment projects and productive reconversion of MSMEs.
   2. Bandesal will be the Borrower as well as the Project executor and its organizational structure and responsibilities will be based upon its existing structure. The Project aims to expand credit access to different market areas, which have been facing credit access challenges in El Salvador. The Project will develop a dissemination mechanism, to reach market shares that failed to benefit from credit access thus far. The instant Project design will take into account the need to complement competitiveness innovation operations (ES-L1058) and “Corredores Productivos” (ES‑L1075).
2. Project Status and Compliance
   1. Based on Directive B.13 of the Environment and Safeguards Compliance Policy (OP-703), the Project is classified as a financial intermediary and as such is not categorized according to its potential environment and social (E&S) impacts and risks.
   2. Bandesal has confirmed to the Project team that it is in compliance with Directive B.2 of IDB Environmental and Safeguards Compliance Policy (country laws and regulations), complying with all applicable legal and regulatory environmental, social, health and safety, and labor (ESHS&L) laws and regulations. Bandesal requires financial intermediaries to comply with applicable environmental legislation and regulation, prior to approving financing to operations and related activities.
   3. Bandesal portfolio concentration is in services with more limited exposure in funding agricultural, construction and manufacturing activities. Lending in its current portfolio may present low to medium risk. Based on the current portfolio composition as well as the intended use of proceeds as further described, this operation is classified as low risk (FI-3).
3. Environmental and Social Risks and Impacts
   1. Bandesal’s current portfolio presents the following sector concentrations as of December 2013: (i) 39.6 percent of Bandesal’s total portfolio for second tier operations (approximately USD 326.6 million), in which the small firms represent 62.4 percent of the operations and (ii) the medium firms represent 37.6 percent of the total portfolio of small and medium enterprises.
   2. The environmental, social, health and safety (ESHS) and labor impacts and risks associated with sub-loans in Bandesal’s portfolio are likely to be low to moderate. Bandesal’s current investment portfolio consists of 1.5 percent of the total operations classified as high risk environmental impact, 15.8 percent as medium risk environmental impact and 82.8 percent as low risk environmental impact. This percentage has been established based on the risks of the operation per se, which does not include the impacts on the surroundings as well as on local communities. The economic activities that presented high environmental impact include: (i) fabrication of metallic products, (ii) clay, rocks and sand extraction, (iii) logging, (iv) tannery and (v) forestry. The ESHS and labor impacts and risks could include: (a) land contamination (poor planning and inadequate garbage disposal), (b) poorly planned wastewater discharges, (c) use of migratory or informal labor and (d) occupational, health and safety standards.
   3. The maximum loan amount for high risk activities is sixty five thousand and three hundred dollars (USD 65.300).
4. Environmental and Social Management
   1. Bandesal has an Environmental Policy for eligible second tier operations, which has been updated in April 2012, which requests from eligible financial intermediaries to comply with applicable environmental regulation and to classify the operations that will be financed by Bandesal. Bandesal’s operations classification includes Category I, II and III operations, which present, respectively, low, medium and high risk to the environment. Category II operations require applicable environmental permits, which, if denied by the pertinent public authority, will reclassify the operation to Category III. Category II operations require an environmental impact study, environmental management plan, public consultation and environmental permits/licenses. Category III operations are deemed to adversely impact the environment and, hence, are not eligible for financing.
   2. Bandesal’s Environmental Policy determines that if a given operation results in environmental harm or fall within the exclusion list, the financial intermediary should remedy the environmental damage in a specific timeframe, otherwise financing is cancelled.
   3. Further, financial intermediaries are required to comply with the pertinent environmental licensing and keep a record tracking of its activities, documents and environmental licenses. The exclusion list includes a number of activities that may adversely impact the environment as well as activities that are deemed hazardous to the environment and people.
   4. Bandesal has also developed an Environmental Policy for first tier operations, which is similar to second tier operations. A team called “Operaciones Directas” is responsible for verifying whether the existing documentation complies with applicable policies and regulations and for visiting the operations to monitor activities. In addition, Bandesal requests from beneficiaries to sign an affidavit (“declaración jurada”), certifying compliance with applicable environmental law and that the financed activity will harm the environment.
   5. Bandesal does not have a specific Department to assess environmental and social risks, but it counts with support of staff members of UNEP FI-Ecobanking for site visits and to assess the pertinent documents related to operations. Bandesal has a partnership with UNEP FI for capacity building programs on environmental matters. Bandesal has already experience on environmental assessment of operations above USD 500,000 and has a “Centro de Capacitación”, responsible for raising awareness on environmental and social initiatives. Bandesal will work together with IDB to scale up training of Bandesal’s staff members and clients, to the extent possible.
5. Environmental and Social Requirements
   1. For this Project, within the framework of eligibility requirements established for the sub-projects in agreement with IDB, the Bank will require Bandesal to:
      1. Implement an Operating Manual, agreed by the IDB and approved by Bandesal’s Board, in order to: (a) comply with all applicable Salvadoran ESHS and labor regulatory requirements including the Internal Work Regulations as approved by the Ministry of Labor; (b) fair and equitable credit analysis and approval process for potential and eligible beneficiaries; and (c) in relation to the financing of each sub-loan, apply Bandesal’s Environmental Policy as described in Section IV above to require and obtain satisfactory assurance that all beneficiaries comply with: (1) Salvadoran ESHS and labor regulations as referred in (a) above; (2) the IDB List of Excluded Activities for Non-Sovereign-Guaranteed (NSG) operations (see Annex II) as well as Bandesal’s own list of excluded activities and the IDB high risk exclusions (see Annex II); (3) the Fundamental Principles of the Rights at Work
      2. Integrate the IDB exclusions (see Annex II) in the project approval process.
      3. Require an ESHS affidavit for operations above USD500,000.
      4. Perform a field visit for operations above USD1,000,000, which require Environmental Impact Assessment or activities that comprise (a) metallurgy and fabrication of metallic products, (b) tannery and (c) slaughterhouses.
      5. Assign staff responsibility to screen for environmental and social issues and to ensure that the designated employees have the necessary capacity and receive training agreed upon with IDB.
      6. Present an Annual Environmental and Social Compliance Report (ESCR) with information on Bandesal’s portfolio and any particular risk issues identified during screening, mitigation measures agreed with clients as well as compliance status.
   2. The IDB will supervise the ESHS and labor aspects related to the use of the proceeds of the IDB loan, as necessary either by an IDB in-house specialist or with external consultants, hired by the IDB. A mid-term evaluation of the performance of the Bandesal’s Environmental Policy with respect to the IDB operation will be performed. To this end, Bandesal will provide and facilitate access by IDB to all relevant documentation, personnel and sub-project facilities.
   3. If necessary, IDB and Bandesal will agree on corrective actions or measures necessary to address impacts and risks and/or to enhance their management.

**ANNEX I**

**Política de Medio Ambiente BANDESAL – Apéndice I**

**Actividades, obras o proyectos que requieren Estudio de Impacto Ambiental**

**Conforme a la Ley del Medio Ambiente - LMA[[1]](#footnote-1)**

Toda persona natural o jurídica deberá presentar el correspondiente Estudio de Impacto Ambiental para ejecutar las siguientes actividades, obras o proyectos:

a) Obras viales, puentes para tráfico mecanizado, vías férreas y aeropuertos;

b) Puertos marítimos, embarcaderos, astilleros, terminales de descarga o trasvase de hidrocarburos o productos químicos;

c) Oleoductos, gaseoductos, poliductos, carboductos, otras tuberías que transporten productos sólidos, líquidos o gases, y redes de alcantarillado;

d) Sistemas de tratamiento, confinamiento y eliminación, instalaciones de almacenamiento y disposición final de residuos sólidos y desechos peligrosos;

e) Exploración, explotación y procesamiento industrial de minerales y combustibles fósiles;

f) Centrales de generación eléctrica a partir de energía nuclear, térmica, geométrica e hidráulica, eólica y mareomotriz;

g) Líneas de transmisión de energía eléctrica;

h) Presas, embalses, y sistemas hidráulicos para riego y drenaje;

i) Obras para explotación industrial o con fines comerciales y regulación física de recursos hídricos;

j) Plantas o complejos pesqueros, industriales, agroindustriales, turísticos o parques recreativos;

k) Las situadas en áreas frágiles protegidas o en sus zonas de amortiguamiento y humedales;

l) Proyectos urbanísticos, construcciones, lotificaciones u obras que puedan causar impacto ambiental negativo;

m) Proyectos del sector agrícola, desarrollo rural integrado, acuacultura y manejo de bosques localizados en áreas frágiles; excepto los proyectos forestales y de acuacultura que cuenten con planes de desarrollo, los cuales deberán registrarse en el Ministerio a partir de la vigencia de la presente ley, dentro del plazo que se establezca para la adecuación ambiental;

n) Actividades consideradas como altamente riesgosas, en virtud de las características corrosivas, explosivas, radioactivas, reactivas, tóxicas, inflamables o biológico-infecciosas para la salud y bienestar humano y el medio ambiente, las que deberán de adicionar un Estudio de Riesgo y Manejo Ambiental;

o) Proyectos o industrias de biotecnología, o que impliquen el manejo genético o producción de organismos modificados genéticamente; y

p) Cualquier otra que pueda tener impactos considerables o irreversibles en el ambiente, la salud y el bienestar humano o los ecosistemas.

El titular de toda actividad, obra o proyecto que requiera de permiso ambiental para su realización o funcionamiento, ampliación, rehabilitación o reconversión deberá presentar al Ministerio el formulario ambiental que ésta requiera con la información que se solicite. El Ministerio categorizará la actividad, obra o proyecto, de acuerdo a su envergadura y a la naturaleza del impacto potencial.

**ANNEX II**

**Política de Medio Ambiente BANDESAL – Apéndice II[[2]](#footnote-2)**

**Exclusion list to be applied to projects financed by the IDB operation**

1. IDB List of Excluded Activities for Non-Sovereign-Guaranteed (NSG) operations

* Illegal activities under the laws and regulations of El Salvador.
* Weapons and ammunitions.
* Tobacco.
* Gambling, casinos and similar business practices.
* Explore/exploit fauna species protected under CITES Convention.
* Asbestos fibers.
* Silviculture of indigenous forests.
* Industry of PCBs.
* Forbidden pharmaceutical products.
* Not sustainable practices of marine fishing.
* Commerce of non-recyclable residues (except for recycling activities).
* Firms that do not comply with the fundamental principles of workers.

1. IDB High Risk Exclusions

* Projects which have an adverse impact on biodiversity.
* Projects which may cause involuntary resettlement.
* Projects which may have an adverse impact on indigenous peoples and their rights.

**ANNEX III**

**Declaración jurada de cumplimiento de la legislación ambiental**

**por parte del cliente (Persona jurídica)[[3]](#footnote-3)**

En la ciudad de San Salvador, a las \_\_\_ horas y \_\_\_\_\_ minutos del día \_\_\_\_ de \_\_\_\_ del año \_\_\_\_\_\_\_\_. Ante Mí, **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**, Notario, del domicilio de \_\_\_\_\_\_\_\_\_\_, departamento de \_\_\_\_\_\_\_\_\_\_\_\_\_, comparece **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (Nombre Completo según DUI),** quien es de \_\_\_\_\_ años de edad, \_\_\_\_\_\_\_\_\_ (profesión u oficio), del domicilio de \_\_\_\_\_\_\_\_\_\_, departamento de \_\_\_\_\_\_\_\_\_\_\_\_\_\_, a quien no conozco pero identifico por medio de su Documento Único de Identidad número \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, con Número de Identificación Tributaria \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, actuando en mi calidad de \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, de la Sociedad/Asociación \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, del domicilio de \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, departamento de \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, con Número de Identificación Tributaria \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, personería que doy fe de ser legítima y suficiente por haber tenido a la vista: **a)** ….; **b)** **….(RELACIONAR PERSONERÍA SEGÚN CORRESPONDA)**; **Y ME DICE** **BAJO JURAMENTO:** **A.** Que se han cumplido, se cumplen y se cumplirán **(VER NOTA1)** con todos y cada uno de los requerimientos de la Ley de Medio Ambiente y sus reglamentos, así como con las normas ambientales técnicas necesarias para la ejecución de la actividad productiva a financiar con recursos del Banco de Desarrollo de El Salvador/Fondo de Desarrollo Económico, habiendo realizado para tal efecto los correspondientes estudios de Impacto Ambiental en los casos necesarios manifestando además que posee todos los permisos necesarios para el funcionamiento, ampliación, rehabilitación o reconversión de su actividad productiva; y **B.** Se obligan a no utilizar los fondos de los créditos que se le llegaren a otorgar con recursos del Banco de Desarrollo de El Salvador/Fondo de Desarrollo Económico en actividades que deterioren el medio ambiente o contravengan la legislación nacional vigente en esta materia. El suscrito notario hace constar: que expliqué al compareciente sobre lo establecido en el Código Penal, en cuanto a los delitos de Falsedad material o ideológica, regulado en los artículos Doscientos ochenta y tres y Doscientos ochenta y cuatro, respectivamente. El compareciente me manifiesta que para los efectos legales de esta acta notarial y para los demás que surgieren, señala como domicilio el de esta ciudad, a cuyos tribunales se somete expresamente. Así se expresó el compareciente a quien le expliqué los efectos legales de esta acta notarial que consta de \_\_\_\_\_\_\_\_ folios, y leído que le fue por mí íntegramente en un solo acto sin interrupción, ratifica su contenido y firmamos. **DOY FE.NOTA 1: en caso de no contar a la fecha con permiso ambiental u otro aplicable, favor declararlo así y definir el estatus del trámite según corresponda.**

1. *Fuente:* [*Ley de Medio Ambiente*](http://www.marn.gob.sv/index.php?option=com_phocadownload&view=category&download=56:l&id=6&Itemid=255) [↑](#footnote-ref-1)
2. *Source: BANDESAL-Environmental Policy for Eligible Institutions – 4.12.2012* [↑](#footnote-ref-2)
3. *Fuente: Política de Medio Ambiente de BANDESAL para operaciones directas.*  [↑](#footnote-ref-3)