

## Environmental and Social Review Summary (ESRS)

<b>Project Name:</b>	CIDRE IFD: Credit to small farmers for climate change adaptation to climate change
<b>Project Number</b>	BO-L1228 y BO-T1410
<b>Project Location:</b>	BOLIVIA
<b>Executing Agency (“EA”):</b>	CIDRE IFD
<b>Type of Operation:</b>	Loan and Non-Reimbursable Technical Cooperation (“NRTC”)
<b>ESRS Issuance Date:</b>	January, 2023

### 1. General Information of the Project and Scope of IDB Lab’s E&S Review

The purpose of the transaction is to finance the development of the climate finance portfolio of CIDRE IFD in the agribusinesses segment in Bolivia (the “Project”). The Project will be supplemented by a NRTC aimed at developing tools that allow assessing the impacts of financing on the management of water resources by small borrowers, and the supplementary use of a parametric insurance scheme that mitigates the climatic effects on agricultural producers and the credit portfolio placed in this segment.

The environmental and social (“E&S”) due diligence of the Project consisted of a desk review of internal procedures provided by the Company as well as interviews with managers of CIDRE.

### 2. Environmental and Social Categorization and Rationale

This is a FI-2 category Project, according to IDB’s Environmental and Social Policy Framework (“ESPF”), because limited, specific environmental and social impacts that may result can be avoided or mitigated by adhering to generally recognized Environmental and Social performance standards, good international industry practices, environmental, health and safety (“EHS”) practices, and design criteria as described in the following sections. The Project will not support category A sub-projects or investments.

### 3. Environmental and Social Risks and Impacts

The main E&S risks of the proposed Project are associated with CIDRE’s capacity to assess and manage risks related to the pipeline of sub-projects. Impacts may include: (i) labor and working conditions, prevention of child labor and occupational health and safety of workers; (ii) water resource efficiency and availability, energy efficiency, pollution control due to field interventions, better agricultural management practices for improved

productivity in crop/animal production, agrochemical hazards, WHO banned pesticides, integrated pest management, climate-smart strategies for adaptation and mitigation, CO<sub>2</sub> drivers and carbon footprint, waste management, emissions of all sources; (iii) potential land use change/deforestation, including conversion of natural/critical habitats and biodiversity risk of sub-projects in proximity to sensitive geographical areas; (iv) use of ozone depleting substances (chemicals, refrigerants, etc.) and compliance with the Montreal Protocol; (v) potential impacts to communities, including water resource availability to all stakeholders.

#### **4. Mitigation Measures**

CIDRE has a basic Environmental and Social Management System (ESMS) that needs to be updated to be aligned with IDB's ESPF:

Policy: CIDRE needs to develop an overarching operational Policy statement needs to be updated aligned with the Environmental and Social Performance Standard 1. The policy will be communicated internally to project staff and externally to all stakeholders. The corporate policy shall add a statement showing that CIDRE will not finance projects included in IDB Exclusion List or that have done or will potentially do land conversion of natural habitats or primary forest in El Chaco region of Bolivia unless a High Conservation Value (HCV) assessment is performed.

Identification of Risks and Impacts: CIDRE has developed a risk matrix to manage its internal operations. The risk matrix requires to be expanded to improve identification of risks and impacts of operations of subprojects on a periodic basis. CIDRE to develop and implement a risk evaluation and prioritization methodology for subproject investments that allows adapting to identify risks and impacts of a wide range of operations of clients. The expanded risk matrix to assess on-farm gender and occupational health and safety (OHS) risks, and potential impacts to communities neighboring subprojects.

Management Programs: CIDRE needs several Management Programs to minimize identified E&S risks and impacts in the expanded Risk Matrix described above. It also requires formal, written standard operating procedure (format) for the Environmental and Social Due Diligence (ESDD) of subproject investments. In addition, and especially important for sub-projects nearby natural and critical habitats, CIDRE will formalize current practices into a management system procedure to avoid impacts on biodiversity and ecosystem services in sensitive geographical areas (for example their investments in Chaco). Sub-project use of ozone depleting substances (chemicals, refrigerants, etc.) requires an ESMS procedure for clients to ensure tight control of leaks to the air.

Organizational Capacity and Competency: CIDRE has appointed a professional with managerial responsibilities for environmental and social issues.

Monitoring and Review and KPI's. A robust internal monitoring and review program must be implemented at the Portfolio level, based on a “results matrix”. CIDRE to update credit related KPIs to include monitoring of E&S issues. KPIs should be included in the annual report to BID Lab.

External Grievance Mechanism. CIDRE reports having implemented and publicized and external grievance mechanism in their several lending agencies.

As part of this transaction, CIDRE will be required to develop and implement an ESMS commensurate to the risk profile of its lending operations. Furthermore, CIDRE will submit examples of ESMS implementation (ESDD reports, E&S screening tools, E&S risk management procedures.) together with an annual report to IDB Lab.

CIDRE's Human Resources practices overall are in line with the requirements of IDB Environmental and Social Performance Standard 2: Labor and Working Conditions.

## **5. Environmental and Social Action Plan (ESAP)**

No	Issue	Activity	Deliverable	Deadline
1	Environmental and Social Management System (ESMS)	Develop an ESMS Manual	ESMS Manual	Before the first disbursement
2	Environmental and Social Performance Report (ESPR)	Submit an annual Environmental and Social Performance Report to IDB Lab	ESPR	Annually