

**Environmental and Social Strategy (ESS) for Publication**  
**CrediMejoras Ademi: Access to home improvement financing for the BOP in the Dominican Republic**  
**(DR-L1060)**

**I. Project Description**

1. Objective: The objective of the project is to increase access to home improvement financing for the Base of the Pyramid (BOP) in the Dominican Republic (DR), and therefore contribute to reducing the country's qualitative housing deficit. To this end, OMJ will seek to provide an A-loan of up to US\$5 million and a B-loan of up to US\$5 million to Banco Multiple Ademi ("**Banco Ademi**"), a regulated financial institution. The project will allow Banco Ademi to on-lend to BOP families that require home improvement investments. The continued expansion of Banco Ademi's home improvement credit portfolio via OMJ financing will provide: (1) improved access to long term credit for the BOP; and (2) access to better quality housing for BOP families via financing that allows for the completion of unfinished homes and the replacement of hazardous construction materials.

**II. Project Status and Compliance**

- 2.1 Based on Directive B.13 of the Environmental and Social Safeguards Compliance Policy (OP-703), this operation was not categorized. Banco Ademi has confirmed that it is in compliance with Directive B.2 (country laws and regulations), complying with all applicable legal and regulatory environmental, social, health and safety, and labor laws and regulations.

**III. Environmental and Social Impact Risks**

- 3.1 The project is expected to generate positive social impact, as it will provide BOP families with access to finance that will allow them to improve their dwellings in such a way that will contribute to improving health, safety, and hygiene conditions.
- 3.2 There may be specific ESHS and labor risks and impacts related to home improvements, but these are considered minimal due to the small scale of each intervention (US\$2,000) and also due to the technical assistance and oversight that Banco Ademi provides its beneficiaries in terms of construction quality.
- 3.3 The housing solutions may be exposed to additional ESHS risk and impacts. Other indirect risks associated with home improvement works include: location of the home improvement site; the design of the home improvements; the home improvement works themselves; the materials used. The mitigant again is Banco Ademi's technical assistance and oversight relating to quality of materials, among others.
- 3.4 The main ESHS risks and impacts involved with this operation are the ones associated with the improvement of houses that include location, integrity of the houses and basic facilities (sewer, electricity, water), as well as social aspects such as:
  - Potential impacts on houses located in areas of previous use activities that may result in localized environmental problems, such as abandoned landfills or waste disposal areas, industrial facilities, etc.

- Potential impacts on houses located in areas susceptible to natural hazards, such as landslides, hurricanes, floods, seismic events, and fires.
- Potential discrimination and barriers for an equitable process of providing the loans taking into consideration ethnicity, sex, religion, age, etc.
- Potential risks on existing houses with low construction standards.
- Potential impacts on houses with a lack of the basic facilities mentioned above.

#### **IV. Strategy for the Environmental and Social Due Diligence**

4.1 As part of the due diligence process, the team will evaluate Banco Ademi's social and environmental management practices and capacity as they relate to the home improvement projects financed.

4.2 Social and environmental due diligence may include the following, among others:

- Evaluation of Banco Ademi's compliance with applicable national environmental, health, safety, and labor regulatory requirements in the DR
- Evaluation of the credit appraisal, approval, and monitoring criteria to manage environmental and social liabilities, risks and/or impacts of the loans (compliance with policies, and processes as they relate to social and environmental issues such as: location of works, compliance with building norms and code, including anti seismic codes and connections to basic services, among others)
- Evaluation of Banco Ademi's portfolio to ascertain any reputational risks for the Bank
- Evaluation of Banco Ademi's portfolio to ascertain any environmental and/or social risks  
Evaluation of Banco Ademi's compliance with the Fundamental Principles and Rights at Work and whether they practice fair and unbiased labor practices related to sex, age, ethnicity, cultural heritage, and collective bargaining. with fair labor practices
- Evaluation of Banco Ademi's credit analysis and approval process to ascertain whether it is free of bias/prejudice, and whether it contemplates inclusion of vulnerable groups. Evaluate an appropriate inventory of present environmental and health and safety liabilities in Banco Ademi's portfolio, and facilities, and if they exist, assess the adequacy of an action plan to properly resolve them
- Evaluation of Banco Ademi's model for home improvement to ascertain whether it complies with environmental, social, and labor standards. Evaluation of the adequacy of Banco Ademi's procedures to ensure that the loan procedures, finance application and analysis process is equitable, fair, and unbiased in terms of social factors (e.g. age, gender, cultural heritage, etc.).

The results of said due diligence will be presented in an Environmental and Social Management Report (ESRM) and will be summarized in the Loan Proposal.