

Environmental and Social Management Report

The Environmental and Social Strategy for the Project was approved by CESI on May 18, 2007 and no further action was required. Since the Project is related to financial intermediary, it is not classified per the IDB Environmental and Safeguard Compliance Policy.

Based upon the nature of this project, being providing individual mortgages for low income rural housing, there are minimal direct and indirect environmental, social, or health and safety impacts and risks. Basically the only potential minimal environmental and social impacts and risks associated with the Project relate to the individual rural houses financed. For example, potential liabilities due to house location (e.g. located in areas susceptible to natural hazards, such as tornados, hurricanes, floods, seismic events, and fires) or construction (e.g., poor building codes and standards), or areas subject to environmental impacts (e.g., soil and ground water contamination).

Banrural evaluates the feasibility of individual mortgages and the process informally includes some environmental risks. Banrural does not appear to have any significant environmental, health and safety or labor issues with their operations, facilities, and staff. Since Banrural does not invest significantly in high environmental risk industrial sectors, potential reputational risks appear minimal.

The Bank will require as part of the Loan Agreement that Banrural comply with all applicable Guatemalan environmental, social, health and safety, and labor regulatory requirements and applicable IDB policies. The Bank will require Banrural to develop and implement an environmental mortgage procedure, in form and substance satisfactory to the IDB, to assess potential environmental risks and liabilities associated with individual mortgages. The Company will develop and implement, on a best efforts basis, an Environmental, Health and Safety Action Plan that will include at a minimum, actions associated with Banrural's emergency plans and procedures (i.e. evacuation drills, emergency response programs, etc). The Bank will require the company to submit an environmental and social compliance report in form and frequency acceptable to the IDB. The Bank will supervise the environmental and social aspects of the loan agreement.