

FIDEICOMISO PARA EL DESARROLLO DE LA MICRO Y PEQUENA EMPRESA

ES-L1018

ENVIRONMENTAL AND SOCIAL MANAGEMENT REPORT

Project Description

The proposed Facility aims at expanding and strengthening the access to financing for approximately 10,000 urban and rural micro-entrepreneurs in El Salvador who currently do not have access to adequate financing. IDB is analyzing the possibility of providing a US\$4 million loan through the Opportunities for the Majority Facility to the Fideicomiso para el Desarrollo de la Micro y Pequena Empresa (“FIDEMYPE”), the Fideicomiso is going to be administered by Banco Multisectorial de Inversiones, an IDB client.

As this operation involves a Financial Intermediary, and in accordance with Policy Directive B.13, this project is not categorized.

By providing additional funding to FIDEMYPE, the IDB will complement its country strategy objectives of promoting sustainable economic growth by increasing access to microfinance’s while strengthening human capital and improving opportunities for the poorest segments of the population.

The Fideicomiso is managed by BMI the only second Tier Bank in El Salvador and one of the first banks that adopted the Equator Principles. This project is an expansion and complements financing already provided by the IDB through the SEP to FIDEMYPE (ATN/SF-9957-ES, SP-SF-06-08-ES) which includes technical cooperation (US\$250,000) and financing (US\$1 million) to non-regulated Financial Institutions operating in the poorest rural areas of El Salvador. One of the technical cooperation goals, is to train the financial intermediaries that work directly with FIDEMYPE to manage potential environmental and social risks. All the financial intermediaries working with FIDEMYPE will be required to attend the seminar and to implement an environmental and social procedure.

Environmental and Social Requirements.

The Bank will require as part of the Loan Agreement that FIDEMYPE complies with all applicable Salvadoran environmental, social, health and safety, and labor regulatory requirements, the IDB List of Excluded Activities for Non-Sovereign-Guaranteed (NSG) operations, and the Fundamental Principles of the Rights at Work. Prior to financial closure, the IDB will require FIDEMYPE to present an Environmental, Social and Health and Safety Action Plan (ESHS Plan) in form and substance satisfactory to the IDB, including at a minimum (i) the time line for the development and implementation of an Environmental Procedure for Micro-loans. The Environmental Procedure should include at a minimum: (i) project eligibility criteria (IDB’ s Environmental Exclusion List); (ii) a process for assuring compliance with local environmental and social legal requirements,; (iii) mechanisms for assessing and managing environmental and social aspects associated to its portfolio; and (iv) training. Additionally, the IDB will provide FIDEMYPE with

guidelines and best practices associated with environmental and social risk management for micro-loans, for FIDEMYPE to become a knowledge multiplier agent in the Region. The IDB will supervise the environmental and social aspects of the Loan Agreement either by an in-house specialist or with external consultants, and require FIDEMYPE to present environmental and social compliance reports in form, content and frequency satisfactory to the IDB.