

# ENVIRONMENTAL AND SOCIAL STRATEGY<sup>1</sup>

## **Banco General, Panama PN-L1056**

### **A. Environmental and Social Impacts and Risks**

- 1.1 Based upon the nature of this project (i.e. support to develop a “green” loan portfolio for micro, small and medium–size enterprises (MSME), especially those adopting measures related to energy efficiency savings and reduction in carbon emissions such as: clean and renewable energy (including biofuels), clean industrial technology, sustainable forestry, etc, or adopting new approaches to integrated waste management or water and wastewater treatment which may have other environmental benefits), there may be minimal to moderate direct environmental, social, health and safety (ESHS) and labor impacts and risks. The potential key ESHS and labor issues and risks associated with this operation are those related to the specific projects financed by Banco General and could include (i) Banco General’s environmental credit risks, (ii) IDB Reputation Risks associated to Banco General’s ESHS and/or labor practices and (iii) specific ESHS and labor impacts and risks related to MSME investment in certain sectors.
- 1.2 Environmental credit risks refer to potential negative effects on Banco General’s ability to repay the IDB because of: (i) risks due to Banco General credit programs associated with environmental or social issues (e.g. environmental liabilities) or increased probability of non-repayment of loan due to environmental and social issues (e.g. law suits, fines, etc); and (ii) risks associated with Banco General facilities and operations, such as environmental liabilities in their offices due to asbestos, lead paint, etc. or Banco General employees having occupational health and safety problems due to working conditions (e.g. inadequate emergency preparedness, lack of fire exits, etc).
- 1.3 Reputation risks are associated with Banco General’s involvement in projects, companies or activities considered unacceptable to the IDB and/or that will face significant public opposition or concerns, such as (i) inappropriate development location; (ii) Banco General’s finance application and analysis process that is not equitable, fair, and unbiased in terms of social factors (e.g. gender, age, ethnicity, or cultural heritage, etc.); and (iii) significantly deficient labor practices by Banco General.
- 1.4 These risks may be minimal to moderate and will be assessed during the due diligence.

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<sup>1</sup> This Environmental and Social Strategy (ESS) will be made available to the public in accordance with the Bank’s policy on information disclosure. The ESS has been prepared based primarily upon information provided by the Project sponsors and does not represent either the Bank’s approval of the Project or verification of the ESS completeness or accuracy. The Bank, as part of its due-diligence on the feasibility of the Project, will assess the environmental and social aspects. This assessment will be presented in the Project Environmental and Social Management Report that will be prepared by the Bank, and will be made available to public prior to consideration of the Project by the Bank’s Board of Executive Directors.

**B. Status and Compliance**

- 1.5 Based on Directive B.13 of the Environment and Safeguards Compliance Policy, and given that this is a Financial Intermediary project, this operation is not categorized.

**C. Strategy for Environmental and Social Due Diligence**

- 1.6 As per the IDB Environment and Safeguards Compliance Policy and Guidelines, and as part of its due diligence process, the Bank will assess Banco General's capacity for environmental management, through an analysis of the ESHS and labor impacts and risks associated with the Facility. During this process the Bank will establish whether appropriate environmental procedures are in place to appropriately assess and manage these potential impacts and risks. The Bank will ensure that appropriate and feasible ESHS and labor requirements, including capacity building, in the form of an Environmental and Social Management System (ESMS), tailored to the particular needs of the Facility, are included in the legal agreements.
- 1.7 The IDB undertook environmental and social due diligence of these potential risks and impacts in November of 2008 under a previous facility (PN-L1035). Therefore, the environmental due diligence required for this new transaction, will focus on:
- (i) An analysis on the advances made by BG in developing and implementing an ESMS under a previous financing Facility with the IDB, and of the required enhancements to be made to said ESMS to include a green line procedure applicable to MSMEs. This assessment will consider the sufficiency of current credit appraisal, approval, and monitoring procedures to manage environmental and social liabilities, impacts and risks of its loan operations, including risks associated with Banco General's existing MSME lending portfolio.
  - (ii) Advances made in conducting emergency evacuation drills and implementing evacuation and emergency exit signage in all BG facilities.
- 1.8 During this due diligence, the IDB will re-confirm:
- (i) BGs compliance with the applicable country (national, state, municipal) environmental, social, health and safety, and labor regulatory requirements;
  - (ii) That BG do not have any outstanding environmental and occupational safety liabilities in its current facilities;
  - (iii) BG's compliance with the Fundamental Principles of Rights at Work and with any other international labor organization conventions and treaties which have been ratified by Panama;
  - (iv) That BG's procedures continue to ensure that loan, finance application and analysis process is equitable, fair, and unbiased in terms of social factors.