

Environmental and Social Review Summary (ESRS)

Project Name:	AgriCapital: democratizing agribusiness financing in Colombia
Project Number	CO-L1293
Project Location:	Colombia
Executing Agency (“EA”):	Agricapital
Type of Operation:	PES
ESRS Issuance Date:	February, 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 portfolio of Agricapital in Colombia (the “Project”). The Project will provide access to finance to small farmers and help them overcome challenges like sustainable agricultural production, food security, poverty, measurement of key indicators of impact, and cope with climate change. In turn this will help ensure a well-integrated diversified rural economy and agrifood value chains that can contribute to inclusive growth. Crops and animal production systems in the portfolio include coffee, fique, livestock, wood procurement, aquaculture, poultry, et al.

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

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 (“ESPS”), good international industry practices, environmental, health and safety (EHS) practices, and design criteria. The Project shall not support category A sub-projects or investments.

3. Environmental and Social Risks and Impacts

The main E&S risks of the proposed investment are associated with Agricapital’s capacity to assess and manage risks in the pipeline of subprojects. Impacts may include: (i) labor and working conditions, child labor, occupational health and safety of workers; (ii) water resource and energy efficiency, pollution in field interventions for improved agricultural management, agrochemical hazards (and WHO banned pesticides), waste and emissions of all sources; (iii) potential deforestation, including biodiversity risk of

subprojects particularly on wood procurement in proximity to sensitive geographical areas; (iv) potential use of ozone depleting substances; (v) subproject impacts to communities, including water resource availability to all stakeholders.

4. Mitigation Measures

Agricapital has not developed nor implemented an Environmental and Social Management System (“ESMS”) as it is required by IDB’s ESPF. As part of this transaction, Agricapital will be required to develop and implement an ESMS commensurate to the risk profile of its lending operations. Furthermore, Agricapital 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.

Policy: Agricapital must develop an overarching operational Policy statement aligned with the ESPS 1. The policy will be communicated internally to Agricapital staff and externally to all stakeholders. The corporate policy shall add a statement showing that Agricapital will not finance projects included in the IDB Exclusion List, or that have done or could potentially do land conversion of natural habitats in Colombia unless a High Conservation Value (HCV) assessment is performed. The overarching operational Policy statement shall include a supply chain policy to secure sustainable procurement free from child labor or land conversion.

Identification of Risks and Impacts: Agricapital will develop and implement a risk evaluation and prioritization methodology for subproject investments that allows management of identified risks and impacts of subproject operations. The Risk Matrix to assess on-farm gender and occupational health and safety (OHS) risks, and potential impacts to habitats and communities neighboring subprojects.

Management Programs: Agricapital will develop a format report for the ESDD of subproject investments and standard operating management procedures to manage and minimize identified E&S risks and impacts identified in the Risk Matrix including: i) any impact of subproject operations on water use by communities/water users; ii) pesticides used in the subproject’s operations and to promote integrated pest management; iii) pollution control of all subproject emissions; iv) portfolio level Emissions Inventory of Greenhouse Gases (GHG) in subprojects; v) refrigerants used in subprojects (ozone depleting substances) and compliance with the Montreal Protocol; vi) management of all resulting hazardous and non-hazardous waste in subprojects and, vii) monitor of subproject community impacts.

Furthermore, Agricapital will formalize current practices to exclude subprojects in deforested lands into a management system procedure (best including use of satellite imagery, land use maps, etc.), to avoid impacts on biodiversity and ecosystem services

in sensitive geographical areas, particularly for wood procurement. The procedure should prevent any “slash and burn” farming techniques of smallholders in subprojects.

Organizational Capacity and Competency: Agricapital requires to assign a professional with managerial responsibilities for environmental and social issues.

Grievance Mechanism: Agricapital shall develop and implement a procedure to manage grievance mechanisms (internal and external, include in its web page a clearly visible tab and contact person details in charge of community E&S concerns).

Monitoring and Review and KPI's. A robust internal E&S monitoring must be implemented at the Portfolio level, based on a “results matrix”. Agricapital needs to update credit related Key Performance Indicators (“KPI”) and add monitoring of E&S issues. The E&S KPIs have to be included in the annual report to BID Lab.

The ESDD found that Agricapital's Human Resources practices are in line with the requirements of IDB ESPS 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	Organizational Capacity and Competency	Assign a professional with managerial responsibilities for E&S issues	Notification of staff appointment	Before the first disbursement
3	Environmental and Social Performance Report (ESPR)	Submit an annual Environmental and Social Performance Report to IDB Lab	ESPR	Annually