

Environmental and Social Review Summary (ESRS) Report

Project Name:	Improving the climate resilience of micro, small and medium forestry, and agroforestry enterprises in Honduras
Project Number:	HO-O0011
Project Location:	Honduras
Executing Agency:	Financial Institutions to be determined
Type of Operation (EQU/LON/TCN):	Loan
ESRS Issuance Date:	June, 2022

1. General Information of the Project and Scope of IDB Lab’s E&S Review

The project consists of a credit facility to be provided to up to three financial institutions, to channel financial services to forestry and agroforestry MSMEs in Honduras (the “Facility”). The participating financial institutions (“FI”) will include second-tier institutions (such as FACACH and FUNDER) and (first-tier financial institutions (banks, savings and credit cooperatives, anchor companies, rural banks, and agricultural cooperatives).

An environmental and social (“E&S”) review will be conducted for each FI interested in participating in the facility. To this end, potential partners will be assessed by IDB Lab based on eligibility criteria and will be subject to a capacity analysis and due diligence, at which point the project team will be able to reconfirm the selection of a maximum of three FIs.

2. Environmental and Social Categorization and Rationale

The proposed transaction has been categorized as FI-2, given that the proposed portfolio is expected to be comprised of medium risks activities (forestry and agroforestry), which may have potential limited adverse environmental or social risks or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures.

IDB Lab's applicable E&S requirements for this project will be the IDB Exclusion List, relevant E&S laws and regulations, and the IDB's Environmental and Social Performance Standards (ESPS), as applicable.

3. Environmental and Social Risks and Impacts

The main E&S risks of the Facility are associated with the participating FI’s capacity to identify and manage the E&S risks associated with its investment activities.

The participating FIs will need to comply with an eligibility criterion, which includes having in place and Environmental and Social Management System (ESMS) as required by IDB's Environmental and Social Policy Framework. As part of its ESMS, the selected institutions will need to have a specialized technical unit to carry out E&S analysis comprised with designated staff to conduct E&S due diligence and monitoring.

4. Mitigation Measures

To be eligible, the participating financial institutions will be required to have an operative ESMS to screen potential investees against the IDB Environmental and Social Performance Standards as applicable, in addition to the IDB Lab's Exclusion List and applicable E&S laws and regulations. Each participating FI will be required to provide to IDB Lab an annual Environmental and Social (E&S) Compliance Report and E&S due diligence ("ESDD") reports of the first three investments under this Facility.