

Environmental and Social Review Summary (“ESRS”)

Institute of Private Enterprise Development (“IPED”): Senior Loan Supporting MSME’s in Guyana / 15117-01

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- 1. Scope of Environmental and Social Review.** The Environmental and Social (“E&S”) assessment of the proposed transaction consisted of reviewing documentation (policies, plans, and procedures) and Institute of Private Enterprise Development (“IPED”) credit portfolio, as well as communications with representatives of the institution. IPED is a new client for IDB Invest.
- 2. Environmental and Social Categorization and Rationale.** The proposed transaction is classified as FI-2 according to the IIC’s Environmental and Social Sustainability Policy. The financing will support sub-loans in the Micro, Small, and Medium-Sized Enterprises (“MSMEs”) segment, with a portion specifically directed to women-led MSMEs. The subprojects associated with the MSME segment are considered to have E&S risks ranging from low to moderate level, considering, among other factors, the composition of IPED’s MSMEs portfolio. IPED will not finance subprojects classified as Category A (high risk) according to IDB Invest’s definition, nor those involving activities included in IDB Invest’s Exclusion List.

The IPED definition of MSMEs is as follows: (i) micro enterprises: businesses accessing unsecured funding of US\$9,500 or less; (ii) small enterprises: businesses accessing secured funding between US\$9,500 and US\$35,800; and (iii) medium enterprises: businesses accessing secured funding above US\$35,800. Currently, approximately 85% of IPED’s MSME portfolio is composed by micro and small enterprises. The average sub-loan amounts and tenors are: (i) US\$3,354 and 21 months for micro enterprises; (ii) US\$8,154 and 26 months for small enterprises; and (iii) US\$49,738 and 92 months for medium enterprises, respectively. The four most representative sectors in IPED’s MSME portfolio are agribusiness¹ (34.6%), retail trade (24.6%), transportation (16.8%), and services (7.8%).

The transaction is considered aligned with the Paris Agreement, based on an analysis conducted following the IDB Group’s Paris Alignment Implementation Approach. IPED will develop an Environmental and Social Management System (“ESMS”) that includes measures to identify and manage deforestation risk and physical climate change risks within its portfolio.

- 3. Environmental and Social Risks and Impacts.** The main E&S risks of this transaction are related to IPED’s ability to assess and manage the risks associated with its financing activities, particularly in the agribusiness sector. These E&S risks may be related to workers’ health and safety, land-use changes, waste generation, hazardous materials management, community health and safety, labor rights, climate change, among others. The E&S risks of the subprojects is considered low to moderate.
- 4. Mitigation Measures.** IPED’s credit process includes verifying that all required local regulatory approvals are in place before final credit approval. IPED has human resources policies in place, which include an Anti-Sexual Harassment Policy and a grievance mechanism for employees. IPED shall establish a basic ESMS, which will include the implementation of IDB Invest’s Exclusion List and sub-loan screening for compliance with applicable local E&S laws. The ESMS will also

¹ The agribusiness portfolio of IPED primarily comprises rice crop, along with other crops, poultry, and livestock.

encompass the identification and management of deforestation risk and physical climate change risks in subprojects within the agribusiness, forestry, and mining sectors. Additionally, IPED will designate an E&S officer to oversee the implementation of the ESMS. The designated officer will be required to complete an online training course on E&S risk management provided by IDB Invest.

5. Environmental and Social Action Plan (“ESAP”):

Item No.	Activity	Description	Compliance Indicator	Delivery Date
1	ESMS Development and Implementation	Develop an E&S Policy	Policy approved	9 months after the disbursement
2		Enhance existing loan application forms for the agribusiness, forestry, and mining sectors to include questions related to deforestation risk and physical climate change risks.	Revised and updated loan application forms	9 months after the disbursement
3		Develop procedures to ensure compliance with applicable local E&S laws and the IDB Invest Exclusion List for all subprojects across the portfolio. Additionally, establish mechanisms to identify and manage: (i) physical climate change risks in subprojects within the agribusiness sector; and (ii) deforestation risk in subprojects within the agribusiness, forestry, and mining sectors.	Approved procedure	9 months after the disbursement
4		Develop a legal clause prohibiting deforestation (legal and illegal) of primary forests and incorporate it into the formal legal documentation for all sub-loans across the portfolio in the agribusiness, forestry, and mining sectors.	Updated Loan Agreement Template	9 months after the disbursement
5		Implement the ESMS (all items above)	Evidence of implementation	12 months after the disbursement
6	Training on the ESMS	Conduct training sessions on the ESMS for all personnel involved in its implementation.	Evidence of training	12 months after the disbursement
7	Organizational Capacity	Designate an E&S Officer to oversee the ESMS implementation.	Designation Notice	3 months after the disbursement

6. Contact Information For project inquiries, including environmental and social questions related to an IDB Invest transaction please contact the client (see **Investment Summary** tab), or IDB Invest using the email divulgacionpublica@iadb.org. As a last resort, affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism by writing to mecanismo@iadb.org or MICI@iadb.org, or calling +1(202) 623-3952.