

1. **Project Description.** This project aims to increase access to financing for private firms and SMEs in the Dominican Republic by supporting the growth of Banco Santa Cruz's SME portfolio, with a special focus on integration, trade and value-chain related sectors. The focus sectors within the SME loan portfolio are commercial (63%) and services (15%); however, there is a small percentage of higher risk investments in industry (10%) and construction (5%).
2. **Environmental and Social Categorization and Rationale.** This operation is classified as an FI-3 under the IIC's Environmental and Sustainability Policy. Based upon the nature of these transactions and the financial exposure within the proposed portfolio, the business activities will predominantly have minimal or no adverse environmental, social, health and safety (ESHS) and/or labor impacts and risks. The composition of the portfolio consists of commercial loans (63%), services (15%), industry (10%), construction (5%), and others (7%). The Project's sub-loans will not exceed the value of US\$500,000.
3. **Environmental and Social Risks and Impacts.** Sub-project environmental and social risks within the SME segment may be related to occupational health and safety, small-scale pollution (air emissions, wastewater, etc.), possible community impacts, land-use change, and supply chains. Given the type of activities engaged by Banco Santa Cruz's SME loans, these risks will be minimal or have no adverse effects. Since 2014, Banco Santa Cruz has been developing an Environmental and Social Management System ("ESMS") that identifies and manages the E&S risks of its portfolio. Its ESMS includes an E&S policy, a financing exclusion list based on the E&S policy, respective roles and responsibilities, and a categorization guide. However, still in development are several sector checklists depending on risk and/or sector, an adequate E&S risk assessment procedure, an annual inspection protocol during the monitoring period, and a reporting mechanism for their clients E&S compliance and performance.
4. **Mitigation Measures.** Banco Santa Cruz will be required to ensure that the sub-loans financed with funds from the Project comply with the IDB Invest Exclusion List and applicable E&S local national laws and regulations. Banco Santa Cruz will redefine and improve the E&S inherent risk categorization process for the Project's sub-loans, within their ESMS, and develop a pilot program for the ESMS evaluation and further implementation. To enable the Bank to better understand IDB Invest's requirements, Banco Santa Cruz will be required to undergo a training for E&S risk management for Financial Intermediaries and upgrade their External Communication or Grievance Mechanism to review inquiries or complaints from any interested party regarding the E&S risks and impacts of their operations. Finally, Banco Santa Cruz will be required to report annually and provide monitoring reports of client activity.
5. **Environmental and Social Action Plan (ESAP)**

Table 1. Environmental and Social Action Plan

No. Task	Description	Expected Deliverable	Deadline
1	Improvement of E&S Policy and Procedures	Copy of the improved E&S policy and procedures	Condition precedent to first disbursement
	Improve E&S policy and procedures, including the integration of E&S sector guides and organization, resulting in a revised E&S Policy, exclusion list and procedures manual, including flowchart and role for each division.		

No.	Task	Description	Expected Deliverable	Deadline
2	Pilot Testing and Integration of the ESMS	Test the ESMS on selected clients/projects and adjust E&S policy, procedures and tools as necessary ("pilot") and ensure full inclusion of E&S procedures and sector guidelines into Banco Santa Cruz's processes and systems.	Copy of the Pilot testing report, with final recommendations for implementation	Three months after first disbursement.
3	Approval of the ESMS	Confirmation of External E&S Advisor on completeness of ESMS including E&S Sector Guidelines available and adopted by Banco Santa Cruz.	Copy of the final confirmation report from an external E&S advisor	Six months after first disbursement
4	Final Board approval of the ESMS Implementation	Full review of functioning ESMS and implementation of E&S Sector guidelines and formal approval of ESMS by Board / Directorio and roll-out to entire portfolio.	Copy of the ESMS Board approval statement	One year after first disbursement
5	Capacity Strengthening & Training of the ESMS	Reinforcement training of senior management, loan officers and credit analysts on E&S requirements under local national laws, by an experienced consultant acceptable to IDB Invest or by attending the IDB Invest's Environmental and Social Risk Management training workshop for FI or IDB E&S on-line courses ^[1] . Finally, for those newly hired personnel, provide an E&S training during the Banks induction program.	Evidence in the form of at least one E&S training certificate for key senior management, loan officers or credit analysts, as well as evidence of E&S training for those newly hired personnel.	Depending on quality training availability / timelines, but no later than one year after first disbursement.
6	Grievance Mechanism	Upgrade Banco Santa Cruz external communication or grievance mechanism to review inquiries or complaints from any interested party regarding the E&S risks and impacts of their operations.	Upgraded grievance mechanism	Depending on IT Support availability, but no longer than six months after first disbursement.

Contact Information

For information about the project, including social and environmental questions related to the investment by BID Invest, please contact the client (see the Summary of Investment) or BID Invest using the email requestinformation@idbinvest.org.

As a last resort, affected communities may access the IDB Independent Consultation and Investigation Mechanism by sending an email to mecanismo@iadb.org or MICI@iadb.org, or by telephoning +1(202) 623-3952.

[1] <https://cursos.iadb.org/es?lang=es>