

Environmental and Social Review Summary (“ESRS”)

Microfinance Partnership with *Fondo Esperanza* / 13288-01 – Chile

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1. Scope of the Environmental and Social Review

The environmental and social (“E&S”) review of the proposed operation was conducted via desk research and calls with the client. IDB Invest reviewed the organization and its internal policies so as to assess its capacity to manage the E&S risks associated with the loans granted by *Fondo Esperanza*. *Fondo Esperanza* is a new client for IDB Invest.

2. Environmental and Social Categorization and Rationale

This operation was categorized as FI-3, given that the sub-projects contained in *Fondo Esperanza*’s current and future portfolio are considered low risk. The sub-transactions that will be financed by IDB Invest focus on funding for vulnerable, low-income, microentrepreneurs, with loans for an average amount of US\$600 and a tenor of four months (19 weeks).

3. Environmental and Social Risks and Impacts

This Project’s main E&S risks relate to Fondo Esperanza’s capacity to identify and manage the E&S risks associated with its lending activities. Potential risks related to its main line of business include compliance with local regulatory requirements by sub-borrowers. *Fondo Esperanza* ensures the enforcement of local legislation through a basic KYC assessment, as required by Chilean law.

4. Mitigation Measures

Fondo Esperanza is in the process of establishing a basic environmental and social management system (“ESMS”) which will include the application of the Exclusion List and a review of sub-loans’ compliance with applicable local legislation. It will appoint at least one employee to oversee environmental and social issues. Fondo Esperanza must complete IDB Invest’s online training course on E&S risk management in order to increase its capacity to manage said risks and gain a deeper understanding of IDB Invest’s requirements.

5. Environmental and Social Action Plan: N/A

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 requestinformation@idbinvest.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.