

Environmental and Social Review Summary (“ESRS”) Caja Municipal de Ahorro y Crédito Cusco / 13025-01 – Peru

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- 1. Scope of Environmental and Social Review:** The environmental and social (E&S) review of the proposed transaction involved reviewing documentation as well as holding discussions with the risk, social responsibility and finance area at Caja Cusco. The Institution is a new client for IDB Invest.
- 2. Environmental and Social Categorization and Rationale:** The proposed transaction is classified as an IF-3 per IDB Invest’s Environmental and Social Sustainability Policy. The subprojects to be supported are low-risk; this means that the subloans granted by Caja Cusco are expected to include commercial and service activities that will mostly have minor or nil E&S adverse impacts. The subloans to be granted by Caja Cusco with funds from IDB Invest will be mostly used in loans for micro and small companies.

Caja Cusco is considered the micro, small and medium-sized company category as defined by *Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones* based on its indebtedness thresholds in the last six months. Under Resolution No. 11356-2008, (i) a small company is defined as one with total indebtedness (excluding home mortgage loans) higher than PEN20,000 and lower than PEN300,000 (i.e. between US\$5,113 and US\$76,697); and (ii) a micro company is defined as that indebted for less than PEN20,000 (or US\$5,113). Both operate in the production, trade or services sectors.

Most of the micro and small company portfolio operates in commercial sector (41%), services (10%), real estate (8%) and transport (14%). The agriculture and livestock sectors concentrate (8%) and the manufacturing industry (8%). Only 0.1% are involved in mining activities. The loans granted to micro and small companies’ average amount of PEN12,486.

IDB Invest’s resources may not be used by Caja Cusco to finance any category A subprojects (high risk) based on IDB Invest’s definition, or projects in the sectors included in the IDB Invest Exclusion List.

- 3. Environmental and Social Risks and Impacts:** The E&S risks of this transaction relate to Caja Cusco’s ability to assess and manage any risks related to their investments.

Caja Cusco observes an exclusion list and has a credit environmental policy in place as enforced by Peru’s Cajas Municipales de Ahorro y Crédito (CMAC). The policy is initially applied to clients in the medium-sized segment from the manufacturing industry with loans over PEN300,000 (or US\$76,697). Caja Cusco also applies CMAC’s E&S checklist that includes reviewing the environmental regulations and the climate and environmental factors that could affect the activities.

4. **Mitigation Measures:** The financing to be granted by Caja Cusco should meet the provisions in IDB Invest's Exclusion List, applicable E&S local and national laws. Therefore, CMAC's credit environmental policy shall be adapted by Caja Cusco to: (i) extend its scope to include micro and small companies (i.e. the policy application threshold for Caja Cusco shall be adjusted); (ii) include IDB Invest's exclusion list; and (iii) detail procedures to check the loans for compliance with the relevant E&S legislation. For Caja Cusco to understand better IDB Invest's requirements, the personnel in charge of supervising and implementing business and credit policies should take IDB Invest's online course for financial intermediaries.¹ The online course "Environmental and Social Management Systems" will help the Institution's staff to incorporate environmental and social practices into the company's risk management.
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.

¹ <https://cursos.iadb.org/es/indes/sistema-de-gesti-n-ambiental-y-social-una-oportunidad-de-negocio>.