

## Environmental and Social Review Summary (“ESRS”)

### Banco Aliado: Subordinate Loan for SMEs and Women-Led Companies 11880-02 – Panama

**Original language of the document:** Spanish  
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- 1. Scope of Environmental and Social Review.** The environmental and social (E&S) assessment of the proposed transaction involved reviewing Banco Aliado’s Environmental and Social Management System (ESMS) and its lending portfolio for Small and Medium-Sized Enterprises (SMEs), as well as discussions with its Top Management and the Bank’s E&S Manager. The Bank has been a client of IDB Invest and holds financing lines with other development financial institutions, which has boosted the enhancement of its ESMS.
- 2. Environmental and Social Categorization and Rationale.** The proposed transaction will provide support to the SME segment, which has moderate E&S risk potential. Therefore, as per IDB Invest’s Environmental and Social Sustainability Policy, the transaction has been categorized as FI-2. Banco Aliado will not finance either Category A (high risk) subprojects as defined by IDB Invest or those involving activities included in IDB Invest’s Exclusion List.

Banco Aliado’s subprojects will be exclusively oriented to SMEs based in Panama and meant to provide financing for women-led SMEs. Loans for SMEs will average US\$330,000 and will have an average tenor of about six years. Banco Aliado defines an SME as a company with annual sales ranging from US\$1,500,000 to US\$10,000,000.

- 3. Environmental and Social Risks and Impacts.** The E&S risks of this transaction relate to Banco Aliado’s ability to assess and manage any risks associated to its investments. Banco Aliado aims to expand its SME portfolio, especially in the commercial sector, currently accounting for 74% of the portfolio, followed by the industrial sector (8%) and services (8%), and to a lesser extent the construction (5%), healthcare (2%), financial institutions (2%) and other sectors (1%). The E&S impacts and risks related to subloans to SMEs are likely to be moderate and low.
- 4. Mitigation Measures.** Banco Aliado has an ESMS in place that includes an exclusion list, an environmental and social categorization, an E&S risk assessment process, and guidelines to design E&S action plans. The ESMS also includes some aspects of the Performance Standards (PS) of the International Finance Corporation (IFC), as well as the local environmental and social laws and regulations; however, Banco Aliado will need to update its ESMS to be applicable to all subloans to SMEs to be funded by IDB Invest, as well as strengthen its checks for compliance with local E&S laws.

Banco Aliado has an Environmental and Social Manager with experience in managing E&S risks, who is the main person responsible for carrying out the E&S assessments and monitoring the implementation of action plans in the subprojects. The Bank also allocates staff from other operational areas to assist in these activities. The Risk Committee is in charge of monitoring compliance with the ESMS. For high E&S risk subprojects, the ESMS considers hiring external consultants to perform assessment and monitoring tasks.

Banco Aliado has 458 employees, ~41% (186) of whom are women; 49% of the managerial positions are held by women. The Bank has procedures in place for human resource management as well as a grievance mechanism available for its employees.

Banco Aliado will be required to make sure that all subloans to the SME segment implement the ESMS complying with IDB Invest’s Exclusion List and the local E&S laws. In order to disseminate IDB Invest’s requirements better, the personnel in charge of managing and monitoring the ESMS should attend IDB Invest’s E&S Risk Management training for financial intermediaries.

**5. E&S Action Plan (ESAP)**

Activity	Description	Compliance Indicator	Time Period
1. Update the ESMS	Banco Aliado will need to update its ESMS to: a) Include in its scope the type of asset (SMEs) to be financed by IDB Invest. b) Strengthen its assessment of compliance with local E&S laws.	Updated ESMS  ESMS implementation forms	6 months after first disbursement

**6. Contact Information.** For questions on the projects, including E&S issues related to IDB Invest’s transactions, please contact the client (see **Investment Summary** tab) or IDB Invest by e-mail: [requestinformation@idbinvest.org](mailto: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](mailto:mecanismo@iadb.org) or [MICI@iadb.org](mailto:MICI@iadb.org), or calling +1 (202) 623-3952.