

PRODUCEPAY – Argentina, Chile, Guatemala, Mexico, Peru
ENVIRONMENTAL AND SOCIAL REVIEW SUMMARY

1. Scope of Environmental and Social Review

The environmental and social review of the proposed transaction was carried out in September 2020 through a desk review, and an assessment and analysis of the envisaged platform’s environmental and social policies, procedures, and pipeline. ProducePay is a new client to IDB Invest.

2. Environmental and Social Categorization and Rationale

The sub-advances and prepayments to be supported will be SME’s and corporates in the agriculture sector, in average of US\$9,500 in season and US\$880,000 in pre-season. The tenor will be between 40 days in season and 7 months in pre-season and their potential E&S risk is expected to be medium. Therefore, per the IDB Invest’s Environmental and Social Sustainability Policy, this financing platform has been categorized as FI-2. ProducePay will not be allowed to finance Category A projects, as defined by IDB Invest.

3. Environmental and Social Risks and Impacts

This project’s main environmental and social risks are associated with the company’s capacity to identify and manage the environmental and social risks related to its alternative financing activities. Potential risks related to its main alternative financing activities may include the following: greenhouse gas emissions, exhausting water supplies, wastewater discharge, waste handling, use of “1a” (extremely hazardous) or “1b” (highly hazardous) pesticides, impacts on biodiversity, community relations, labor relations and provision of adequate working conditions, operational health and safety programs, and supply chain sustainability.

4. Mitigation Measures

ProducePay does not yet have in place an Environmental and Social Management System (ESMS) to identify and manage the E&S risks of its portfolio of growers. The company has recently developed an Environmental, Social and Governance Policy which is aligned with the UN Global Compact initiative.

ProducePay will be required to ensure that all advances and prepayments supported comply with IDB Invest’s Exclusion List, applicable E&S local laws, and the IDB Invest Environmental and Social Sustainability Policy including the IFC Performance Standards. The company will be also required to hire an E&S officer to manage E&S risks and impacts. The company must submit to IDB Invest an annual Environmental and Social Compliance Report.

To enable the Borrower to better understand IDB Invest requirements, ProducePay will be required to train its personnel on E&S aspects including attendance to the IDB Invest Environmental and Social Risk Management training workshops for the agribusiness sector.

ProducePay will be required to develop and implement an External Communication Mechanism to review inquiries or complaints from any interested party regarding the E&S risks and impacts of their operations and an Internal Grievance Mechanism for its workers.

5. Environmental and Social Action Plan

Activity	Description	Compliance indicator	Compliance date
ESMS	Develop an ESMS to assess and require sub-loans to comply with the IDB Invest Exclusion List, National Environmental and Social Laws and regulations, and IFC Performance Standards (PS).	Updated ESMS Policy Implementation of the ESMS	Before disbursement Six (6) months from first disbursement
Internal capacity	Hire a senior E&S Officer to manage E&S risks and impacts and train personnel on E&S management.	E&S Officer Staff training plan	Before disbursement Three (3) months from first disbursement
External Grievance Mechanism	Develop and implement an External Grievance Mechanism to review inquiries or complaints from any interested party regarding the E&S risks and impacts of their operations.	External Grievance Mechanism	One (1) month from first disbursement
Human Resources	Enhance human resources procedures	Internal Grievance Mechanism	One (1) month from first disbursement
Compliance report	Submit an Environmental and Social Compliance Report included in the agreement's environmental Annex.	Environmental and Social Compliance Report	Annual

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 MIICI@iadb.org, or calling +1(202) 623-3952.