Concept Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

Date Prepared/Updated: 02/25/2020 | Report No: ESRSC01092
**BASIC INFORMATION**

### A. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Region</th>
<th>Project ID</th>
<th>Parent Project ID (if any)</th>
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<tbody>
<tr>
<td>Ecuador</td>
<td>LATIN AMERICA AND CARIBBEAN</td>
<td>P172899</td>
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<table>
<thead>
<tr>
<th>Project Name</th>
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<tr>
<td>Promoting Access to Finance for Productive Purposes for MSMEs</td>
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<tr>
<th>Practice Area (Lead)</th>
<th>Financing Instrument</th>
<th>Estimated Appraisal Date</th>
<th>Estimated Board Date</th>
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<tr>
<th>Borrower(s)</th>
<th>Implementing Agency(ies)</th>
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<td>Corporación Financiera Nacional</td>
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**Proposed Development Objective(s)**

The project development objective is to promote access to finance for productive purposes for MSMEs.

**Financing (in USD Million)**

<table>
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<tr>
<th>Total Project Cost</th>
<th>Amount</th>
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<td>150.00</td>
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### B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

### C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

The proposed Project is a US$ 150 million IBRD Financial Intermediary Financing that will be executed in five years with the objective of promoting access to finance for productive purposes for micro, small, and medium enterprises (MSMEs). The proposed Project would support the borrower and implementing agency, CFN, to: (i) strengthen the institutional capacity of CFN, (ii) develop and/or improve financial products to promote access to finance; and, (iii) create and expand second-tier lending operations for MSMEs. MSMEs are the main project beneficiaries. There are about 900,000 firms in Ecuador. About 90 percent (approx. 810,000) are microenterprises (from 1 to 9 employees and less than US$100,001 in annual sales, Andean Community definition).
The proposed Project consists of four main components:

Component 1 - Strengthening the Institutional Capacity of CFN (US$ 3 million, IBRD). This component will provide technical assistance and capacity building to CFN. Under this component the Project would finance, inter alia: (i) the design of a corporate governance strengthening plan for CFN; (ii) an assessment of the financial viability of CFN, (iii) an assessment of the current strategy and business plan of CFN, (iv) design and implementation of a monitoring and evaluation strategy to measure the effect of access to credit within final borrowers; and (v) design and implementation of an environmental and social management system and standards for second-tier lending.

Component 2 - Development and Improvement of Financial Products to Promote Access to Finance for MSMEs (US$ 20 million, IBRD). This component will support CFN to develop new or improve existing financial products to promote access to finance for productive purposes, especially for MSMEs (definition of MSMEs according national regu. Specifically, under this component the Project will finance: (i) technical assistance to strengthen the National Guarantee Fund for MSMEs and the e-Factoring platform, (ii) capitalization of the National Guarantee Fund for MSMEs, and (iii) technical assistance to design, test, and evaluate new financial products for MSMEs with potential to be scaled up.

Component 3 - Credit Line Intermediated by CFN To PFIs for On-Lending to MSMEs (US$ 125 million, IBRD). This component will support CFN to establish and expand second-tier lending operations to serve MSMEs through the commercial and the cooperative banking sector. Under this component the Project will finance the provision of lines of credit to eligible private PFIs, which in turn will on-lend to eligible private MSMEs. CFN will assume the credit risk of the PFIs, while the latter will take on their books the credit risk of the MSMEs. Beneficiary MSMEs will include firms from sectors with high potential for productivity growth as well as female owned enterprises and first-time borrowers.

Component 4 - Project Management (US$2 million, IBRD). This component will focus on supporting CFN to effectively execute the Project. Under this component, the Project will finance, inter alia: (i) the recruitment and training of the Project Coordination Unit (PCU) team members including, if necessary, specialists responsible for procurement procedures, financial management, environmental and social management, and the overall execution of the Project; (ii) the acquisition of equipment and furniture for the PCU; (iii) monitoring and evaluation activities; (iv) study tours for relevant CFN staff; (v) stakeholder and citizen engagement plan, including implementation of a Grievance Redress Mechanism (GRM); (vi) communication strategy; and, (vi) the Project’s financial audits.

D. Environmental and Social Overview
D.1. Project location(s) and salient characteristics relevant to the ES assessment [geographic, environmental, social]
The Project will support second-tier lending operations around the country.

The proposed Project consists of four main components: (1) Strengthening the institutional capacity of CFN, (2) Development and improvement of financial products to promote access to finance; (3) Credit line intermediated by CFN to PFIs for on-lending to MSMEs; and (4) Project management.
As part of the Project, CFN is seeking to establish and expand second-tier lending operations to serve MSMEs through the private commercial banks and the cooperatives. The Project will finance the provision of lines of credit to eligible private PFIs, which in turn will on-lend to eligible private MSMEs. CFN will assume the credit risk of the PFIs, while the PFIs will assume the credit risk of the MSMEs. Borrower MSMEs will include firms from sectors with high potential for productivity growth as well as female owned enterprises and first-time borrowers.

D. 2. Borrower’s Institutional Capacity

Corporación Financiera Nacional (CFN) will be the Borrower and project implementing agency. CFN is authorized, regulated and supervised by the Superintendency of Banks of Ecuador (SBE). It was founded in 1964. CFN shareholder is the Central Bank of Ecuador (BCE). CFN has written policies, manuals and procedures for the management of its financial and operational risks. CFN has a management information system that allows the monitoring of the financial and risk situation, including the preparation of various reports (weekly, monthly, quarterly and annual) addressed to internal (CFN) and external (SBE, credit risk rating agency, external auditors). The organizational structure of CFN is in line with what is required by regulation, observing separation of functions and internal control systems.

The Borrower will maintain, throughout Project implementation, a Project Coordination Unit (PIU) composed by key staff at central and regional levels with functions, experience, responsibilities and qualifications acceptable to the Bank, including, a social and environmental specialist. The PIU will depend from the Gerencia de Negocios Financieros y Captaciones. The proposed operation will support CFN to establish and expand second-tier lending operations to serve MSMEs (2nd tier meaning a credit line Intermediated by CFN to Participating Financial Intermediaries (PFIs) for On-Lending to MSMEs). Therefore, CFN would need to develop an Environmental and Social Mangement System to operate its second-tier to ensure that PFIs and beneficiary MSMEs comply with the E&S provisions set forth in the Loan Agreement.

CFN has currently an E&S Risk Management System (Sistema de Administración de Riesgos Ambientales y Sociales-SARAS in Spanish) in place to vet first-tier lending operations according to the scope of activities and potential E&S impacts, the type of environmental license required in Ecuador and CFN’s exclusion list. This system does not apply to FI Subprojects financed by second-tier lending operations. As such, the Project will support CFN to design and implement an effective and functional ESMS for second-tier lending operations.

CFN does not have a dedicated unit to manage environmental and social aspects of its operations; however, it has environmental specialists and social-communication specialists integrated into the gerencias de creditos within the organization. There are also other specialists in the Office of Institutional Coordination and others responsible for handling the complaints and claims system.

The limited institutional capacity of CFN, the fact that the institution is a first-time borrower of the World Bank Group and its new focus on second-tier lending are expected to be mitigated by the strengthening institutional capacity activities that will be financed under component 1. This component will also provide support to the design and implementation of an ESMS for second-tier operations. It is also important to indicate that CFN is implementing a lending operation with the Corporación Andina de Fomento (CAF). Also, in the past CFN managed funds from the Inter-American Development Bank (IADB) and the Agence Française de Développement (AFD), the French development agency.
The limited institutional capacity of CFN to implement a robust environmental and social management system (ESMS) to monitor sub-projects to comply with their own internal policies and the Bank's Environmental and Social Framework (ESF) is the main risk of the project. The project will support CFN to strengthen its institutional capacity and have a social and environmental management system and standards for second-tier lending operations for MSMEs.

II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)  

Environmental Risk Rating  

The Project will finance loans disbursed through eligible PFIs to MSMEs for productive purposes, meaning working capital or investments that will help firms run their businesses, improve their production process, improve business management and create or improve their products. The Project will not finance consumer loans, housing loans, student loans, etc. The number of private Banks and large financial cooperatives with potential to become eligible isn't known yet.

The project is classified as Moderate Risk considering the nature and magnitude of the potential environmental risks and impacts of FI subprojects. No adverse impacts on biodiversity and habitats or on cultural heritage, are expected, nevertheless, this will be better defined and limited by an Exclusion List to be agreed upon during Project Preparation once the list of sectors supported is fully defined. The risk is also expected to be controlled by taking into consideration that the PCU will need to be staffed with environmental specialists to be hired prior to project effectiveness and trained on the implementation of the ESMS for second tier.

Social Risk Rating  

Social risk rating is classified as moderate at this stage considering the nature and magnitude of the potential environmental risks and impacts of FI subprojects. Key activities proposed under the Project will include the provision of loans targeting Micro, Small & Medium Enterprises (MSMEs) through a number of private Banks and large financial cooperatives with potential to become eligible that are not identify yet. Although subprojects of the MSMEs are not pre-identified, their impacts and risks are expected to be moderate given the magnitude of the subprojects and the restrictions described under ESS1. The ESMS will be developed in a culturally appropriate manner to allow for proper engagement with IPs and Afro-descendants. To mitigate social risks, eligibility criteria for FI subproject will include E&S considerations as well as the implementation of culturally appropriate Grievance-Redress Mechanism (GRM).

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

*Overview of the relevance of the Standard for the Project:*

CFN has an environmental and social policy, in which annex A of that policy includes an exclusion list of activities, works or projects that CFN refrains from financing. CFN also has an Environmental and Social Risk Management
System (SARAS), to identify, categorize, evaluate and manage the environmental and social risks related to first tier operations. During project preparation, a review of CFN’s current portfolio will be conducted to identify any E&S related situation that may create a reputational risk for the WB.

Since CFN has not worked before with the WB ESF and its associated standards, the project will adopt the following steps to avoid and/or mitigate E&S risks and impacts:

1. Exclusion list. An exclusion list is the first basic step in calibrating portfolio construction strategy from an E&S perspective. Since CFN already has exclusion lists for first-tier lending, the WB will review this list and recommend how to integrate this list as part of the second-tier lending and ensure that it covers all necessary exclusions to be consistent with a moderate risk rating. This task will be done during preparation. The Exclusion List will explicitly include projects involving involuntary resettlement and infringement of natural habitats, for instance, and other substantial and high-risk activities/sectors.

2. List of restricted Environmental and Social activities as part of the WB financed operations. The Project will finance loans disbursed through private eligible PFIs to MSMEs for productive purposes. The Project will support CFN in developing new or improving existing financial products to promote access to finance for productive purposes for MSMEs (eg. Partial Credit Guarantees). Therefore, this list of restricted activities will rule out substantial and high risk FI subprojects from financing with this operation, including, among others, any activities that interfere with critical habitats, require land acquisition other than on a market basis, have significant adverse impacts related to physical or economic displacements, or restrictions on land use, or require high impact physical works (such as those related with new or existing dams, for example).

3. Process of E&S Risks and Impacts Identification. CFN is expected to have robust procedures for screening, review and approval of E&S assessment instruments, E&S due diligence, and E&S monitoring and reporting for implementation of their first-tier and second-tier lending. CFN’s ESMS will ensure that any PFI receiving funding is compliant with WB ESF requirements, and has an ESMS to manage the ESHS aspects of its subloans. E&S obligations will be contractually passed through to PFIs and MSMEs.

4. Non-discrimination provisions. CFN lending policies, criteria and procedures and related capacity will be assessed and improved as needed to ensure that they do not discriminate against and provide reasonable accommodations for vulnerable and minority groups (IPs, afro-Ecuadorians, women, people with disabilities, LGBTQ individuals, other racial and ethnic minorities, etc.).

Areas where “Use of Borrower Framework” is being considered:
None

ESS10 Stakeholder Engagement and Information Disclosure

CFN will provide loans for productive purposes to Micro, Small & Medium Enterprises (MSMEs) through second-tier lending operations channeled by several commercial banks in the country. Identification and analysis of key stakeholders among MSMEs and commercial banks interested in the line of credit will be relevant to prepare and comply with a Stakeholder Engagement Plan (SEP) consistent with ESS10. The stakeholder analysis will include: a) an
identification of key stakeholders such as the Ministry of Finance, other financial intermediaries, financial partners, public and private investors, cooperatives, and potential clients and beneficiaries including women, indigenous peoples and afro-descendants, environmental and social organizations, etc. and, b) a description of when and how different stakeholders will be engaged throughout the project cycle. This includes a description of the timing and mechanisms for stakeholder engagement and how the views of different stakeholders will inform project design and implementation. The analysis also needs to include gender and other minority considerations by identifying how female and minority led MSMEs can specifically benefit from the project. CFN’s ESMS will also need to include requirements for establishing and maintaining a system to respond to public enquiries, grievances, concerns, and ensure they are recorded and responded to in a timely manner. CFN currently has a Grievance Redress Mechanism (GRM) in place that is part of the general system that is required by the Superintendencia de Bancos del Ecuador. This system may need to be adjusted to the modalities of the project and comply with requirements of a second-tier ESMS.Lastly, a communications strategy will be developed under component 4 to inform the public about the project and the opportunities it provides. This strategy will be a core activity of the SEP.

Given the presence of IP in Ecuador, the SEP will include specific provisions to consult these groups and collect information on their perceptions and demands and potential barriers to access to financial services. Data collected through stakeholder engagement, analysis of PFIs and monitoring process will be used to prepare a communication strategy for promoting second-tier credit lines in relevant indigenous languages and geographical areas with majority indigenous populations, as well as with women and afro-ecuadoreans. This Communication Strategy will be a core part of the SEPs for CFN and the 2nd tier PFIs. However, the project will not have any direct incentives or eligibility criteria targeting women or indigenous populations.

CFN will prepare and disclose a draft SEP before project appraisal and its final version will be included in the ESCP.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions

This standard is relevant.

This project is classified as a FI project and ESS2 applies to the responsible FI itself as well as to the second tier PFIs. CFN has a Human Resources department, called Gerencia de Talento Humano, that coordinates internal labor management in the institution. This unit will be responsible for preparing a Labor Management Procedures (LMP) for CFN and the criteria to be included into the ESMS for the second tier PFIs in accordance with national legislation and requirements under ESS2 and ESS9. The LMP will be an integral part of CFN’s and each PFI’s ESMS that will be prepared to comply with ESS2 and ESS9 requirements for first and second-tier lending operations. This LMP will focus on labor procedures for CFN’s staff working directly with the Project at central and regional levels and will develop labor criteria to be included into the ESMS that will be prepared for second-tier lending operations. In terms of risk associated with sexual harassment, CFN has a code of ethics that includes language related to sexual harassment in the institution. For the second-tier lending, the project will include sexual harassment and non-discrimination requirements in the 2nd tier provisions of the LMP and will rely on monitoring, supervision and spot checks to assess associated risks as well as the GRM. The LMP will include information on relevant Ecuadorian law,
rules, and regulations related to ESS2, and where gaps are identified, complement them with measures in the LMP consistent with ESS2. CFN should provide adequate information with documented evidence of the application of such procedures during project implementation. The LMP will include the design and implementation of a labor grievance redress mechanism (GRM) to be developed by CFN as well as by each PFI for their workers. These GRMs are separate from that described under the ESS10 for works and activities carried out by sub-borrowers or contractors on sub-projects. Details of this “Labor” GRM will be included in the ESMSs for each of the 2nd tier FIs.

At this stage of the project, subprojects of the MSMEs are not yet identified. However, given that some subprojects funded by CFN may require labor due to construction or civil works, CFN’s ESMS needs to address labor risks, for example due to labor influx of temporary workers, risk of forced and child labor and Occupational Health and Safety (OHS), and ensure that sub clients will adopt and monitor labor management procedures consistent with local laws and ESS2. In this context, the CFN is required to ensure that PFI subprojects to MSMEs will have and maintain procedures relating to working conditions and terms of employment, non-discrimination and equal opportunity, and grievance mechanisms for their own workers. CFN’s ESMS also needs to ensure that the PFI subprojects have and enforce Environmental Health and Safety (EHS) procedures including specific instruments to protect the health and safety of workers.

CFN’s existing ESMS for its first-tier lending operations includes as part of its exclusion list, according to national labor regulations, any activities, works, or projects that involve “child labor, non-compliance with the fundamental principles of workers’ rights, forced labor, exploitation, discriminatory practices (…) ”(Normativa de la CFN, Anexo A: Lista de Exclusion). This type of regulations and provisions already included in its first-tier operations exclusion list will also apply to second-tier lending operations and will also be part of CFN’s 2nd tier ESMS screening process. Given that labor procedures and requirements will be an integral part of CFN’s ESMS and that the ESMS for second tier lending will be prepared as a condition of effectiveness, a draft version of the LMP will be prepared before Bank’s board approval and will be completed as a condition of effectiveness.

**ESS3 Resource Efficiency and Pollution Prevention and Management**

This standard is relevant but given the nature of the sub-projects is likely to be addressed through screening and compliance with local/national laws per paras. 14 and 16 of ESS 9. FI subprojects for activities and sectors of substantial and high risks won’t be financed with this operation. The exact location of the MSMEs to be financed will not be known until implementation, however, no significant pollution and resource efficiency issues are expected to arise in the supported projects, nevertheless, CFN’s ESMS will include provisions to consider ESS3 requirements in the screening of all FI-Subprojects to exclude any projects with significant adverse impacts related to this standard.

**ESS4 Community Health and Safety**

This standard is relevant but given the nature of the sub-projects is likely to be addressed through screening and compliance with local/ national laws per paras. 14 and 16 of ESS 9.
For subprojects to be financed by CFN, CFN’s ESMS will need to assess sub-project activities that may pose community health and safety risks. Given that the Project will finance loans to MSMEs for productive purposes, meaning working capital or investments that will help firms to run their businesses, improve their production process, improve business management, create or improve their products, the most important community health and safety potential risks could be related to temporary construction such as dust, noise, disposal of hazardous and non-hazardous wastes, safe operation of vehicles etc. Labor influx and related risks are not expected. The ESMS will include provisions to consider ESS4 requirements in the screening, of all FI-Subprojects to exclude activities that could involve significant risks associated with community health and safety.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement
This standard is not relevant. The project won’t support land acquisition as part of its eligible criteria. Land acquisition will be part of the negative list that will be developed as part of the project. In addition, the project won’t support any sub-projects that required expropriation of land under Ecuadorian expropriation law. Any subproject including a footprint expansion will be subject to due diligence to verify that it does not include physical or economic displacement, restriction of access, or any ESS5 related adverse impacts, and projects with such impacts will be screened out.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources
At this stage, this ESS is not expected to be relevant to the project. Sectors that are expected to be eligible are commerce and services (main economic sectors generating more than 60% in sales), manufacture (21%), and agriculture (6%). Eligible MSMEs are not expected to receive loans for land acquisition or for new primary production activities that would generate an expanded footprint. The ESMS will incorporate a list of restricted Environmental and Social activities as part of the WB financed operations to rule out substantial and high risk FI subprojects to be financed with this operation, including interventions that interfere with critical habitats or involve any significant risks or impacts on biodiversity that might require the application of ESS6.

Relevance of this ESS will be further reviewed during project preparation. Even if subprojects with minor impacts on biodiversity cannot be excluded, these impacts are expected to be addressed through compliance with local/ national laws per paras. 14 and 16 of ESS 9.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities
This standard is relevant but given the nature of the sub-projects is likely to be addressed through screening and compliance with local/ national laws per paras. 14 and 16 of ESS 9. CFN’s exclusion list for first-tier lending states that no activities, works, or projects will be financed that “violate the rights of indigenous, afro-Ecuadorians and other ethnic minorities, as established in Ecuadorian laws and in the international conventions” (Normativa de la CFN, Anexo A: Lista de Exclusion). Similar provisions will apply to second-tier lending operations and will be also part of its ESMS screening process and exclusion list for the project,
complemented as needed to exclude any projects that involve substantial or high risks or adverse impacts on Indigenous Peoples. The ESMSs, in addition to the above exclusions, will also include non-discrimination provisions. Given the presence of indigenous peoples and afro-descendants in Ecuador, the stakeholder engagement process and CFN’s ESMS will contain measures to promote inclusion of IP led/owned businesses as described under ESS10. However, the project will not have any direct incentives or eligibility criteria targeting women or indigenous populations.

**ESS8 Cultural Heritage**

This standard is relevant but given the nature of the sub-projects is likely to be addressed through screening and compliance with local/ national laws per paras. 14 and 16 of ESS 9. It is not anticipated that FI subprojects will have direct or indirect impacts on cultural heritage and the exclusion list will incorporate restriction for financing projects located i) within a legally protected area or a, legally defined buffer zone; ii) (c) located in, or in the vicinity of, a recognized cultural heritage site; or, iii) specifically designed to support the conservation, management and use of cultural heritage. CFN’s ESMS will include provisions to consider ESS8 requirements in the screening of all FI-Subprojects to exclude activities that could involve significant impacts on cultural heritage. It is important to note that Ecuador has a well-developed legislative framework for the protection of its cultural, historical and archeological heritage under the environmental licensing process. Therefore, for any subprojects including earth movement the ESMS will include the preparation of a chance find procedure in accordance with national laws and regulations.

**ESS9 Financial Intermediaries**

This standard is relevant. The project aims at supporting CFN to establish and expand second-tier lending operations to serve MSMEs through private PFIs. CFN will assume the credit risk of the PFIs, while the latter will take on their books the credit risk of the MSMEs. As such CFN is required under this operation to monitor and manage the environmental and social risks and impacts of the 2nd tier FI Subprojects through an ESMS.

CFN currently has an environmental and social policy, in which annex A of that policy includes an exclusion list of activities, works or projects that CFN refrains from financing. CFN also has an Environmental and Social Risk Management System (SARAS), to identify, categorize, evaluate and manage the environmental and social risks related to first tier operations. Under the proposed operation, CFN will be required to develop, implement, and maintain an ESMS consistent with the requirements set out in ESS9 and proportionate to the 2nd tier FI subproject risks. The ESMS as defined in ESS9 should include: (a) E&S policy, (b) clearly defined E&S procedures and capacity to screen projects (application of exclusion list, review of industry sector and technical aspects of the project) and conduct due-diligence to evaluate E&S risk and assign risk category (low, medium and high risk), (c) systems/processes for due diligence to evaluate, monitor, review and manage E&S risks and impacts of subprojects (evaluate the E&S performance of on-going subprojects and the portfolio on a periodic basis), (d) organizational capacity and competence including a budget and a senior management position designated for reporting on the ESMS as well
providing training and capacity-building on ESMS procedures and performance; (e) external communications and reporting mechanisms on E&S performance.

More information about the Exclusion List, and evaluation of E&S risks is detailed in ESS1-8 above.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways

No

OP 7.60 Projects in Disputed Areas

No

III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

A. Is a common approach being considered?

Financing Partners

No applicable

B. Proposed Measures, Actions and Timing (Borrower’s commitments)

Actions to be completed prior to Bank Board Approval:

The following actions are planned during Project Preparation:

1. In-depth assessment of CFN’s environmental and social risk management system, as a base-line to design the ESMS for second-tier lending.
2. In-depth assessment of CFN’s E&S capacity, including actual number of E&S personnel available for the project, in order to tailor the institutional capacity strengthening activities that will be financed under component 1
3. Preparation of E&S screening / eligibility criteria (Exclusion List) that define E&S risks and impact of a moderate nature and scope, and E&S substantial or high risks activities and impacts that may be included in a list of restricted activities.
4. Agree on the exclusion list for World Bank supported FI subprojects.
5. Identification and analysis of potential PFIs and their beneficiary populations including MSMEs and cooperatives owned by or supporting indigenous populations (also women and other minorities); identification of women, IP and minority business groups as potential stakeholders.

Actions to be completed prior to Appraisal,

1) Exclusion List to screen out substantial and high risk sub-projects;
2) List of activities/ sectors to be financed;
3) TORs and roadmap for CFN to prepare, consult and implement the second tier ESMS as a condition of effectiveness;
4) Draft Stakeholder Engagement Plan (SEP)

Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):

1) The roadmap for CFN to prepare, consult and implement the second tier ESMS as a condition of effectiveness
2) Setting up of PCU at CFN with inclusion of environmental and social specialist to manage the ESMS.
3) A plan for capacity building and training for CFN and the PFIs identified in the ESRS with milestones for the PFI ESMS development requirements.
4) Monitoring of ESMS performance

C. Timing
Tentative target date for preparing the Appraisal Stage ESRS 27-Mar-2020

IV. CONTACT POINTS

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Borrower/Client/Recipient
Borrower: Corporación Financiera Nacional

Implementing Agency(ies)
Implementing Agency: Corporación Financiera Nacional

V. FOR MORE INFORMATION CONTACT
VI. APPROVAL

Task Team Leader(s): Pietro Calice, Daniel Ortiz del Salto

Practice Manager (ENR/Social) Valerie Hickey Recommended on 14-Feb-2020 at 20:55:53 EST

Safeguards Advisor ESSA Maria Da Cunha (SAESSA) Cleared on 25-Feb-2020 at 09:06:11 EST