



# Appraisal Environmental and Social Review Summary

## Appraisal Stage

### **(ESRS Appraisal Stage)**

Date Prepared/Updated: 04/01/2024 | Report No: ESRSA03160



I. BASIC INFORMATION

A. Basic Operation Data

Operation ID	Product	Operation Acronym	Approval Fiscal Year
P181242	Investment Project Financing (IPF)	Colombia Agrifood System	2025
Operation Name	Access to finance for the sustainable transformation of agrifood systems		
Country/Region Code	Beneficiary country/countries (borrower, recipient)	Region	Practice Area (Lead)
Colombia	Colombia	LATIN AMERICA AND CARIBBEAN	Agriculture and Food
Borrower(s)	Implementing Agency(ies)	Estimated Appraisal Date	Estimated Board Date
FINAGRO	FINAGRO	07-May-2024	19-Nov-2024
Estimated Decision Review Date	Total Project Cost		
11-Apr-2024	240,700,000.00		

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Proposed Development Objective

Promote access to sustainable finance for agricultural investments for the transformation of the agri-food production system of the project beneficiaries

B. Is the operation 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 Activities

[Description imported from the PAD Data Sheet in the Portal providing information about the key aspects and components/sub-components of the project]

This Appraisal ESRS covers phase 1 of the Colombia Agrifood System Transformation Multi-Programmatic Approach (MPA). The proposed project is a five-year financial intermediary investment project with a total cost estimated at US\$217 million. The proposed project would be financed with a US\$100 million IBRD loan, US\$17 million financing from the Canadian Clean Energy and Forest Climate Facility (CCEFCF), US\$15 million counterpart funding from FINAGRO, and,



at least, US\$85 million from private financing. FINAGRO will be the borrower and implementing entity. The project consists of three components: (1) Strengthening financial sector institutional capacity, (2) Access to sustainable Finance for agrifood system, and (3) Project management. Component 1. Strengthening financial sector institutional capacity (Total cost US\$ 2 million FINAGRO). This component will finance the provision of technical assistance, capacity building, training, and institutional strengthening of FINAGRO, Agriculture Guarantee Fund (FAG), and Participating Financial Institutions (PFIs) to enable small low-income farmers, and medium-scale farmers in Colombia to access sustainable financing to implement climate-smart agriculture and agri-businesses. The project will be invested in improving productivity, strengthening the capacity to adapt to climate change conditions, and reducing greenhouse gas emissions. This component would finance, inter alia: (a) technical assistance to improve FINAGRO's capacity to structure climate-smart credit programs; (b) develop and implement a system for data collection, monitoring, verification, and reporting of sustainable subloans; (c) strengthen FINAGRO's recently created Sustainable Finance Unit; (d) Improve the capacity to integrate climate change risks, costs, and opportunities into FINAGRO's business model; (e) implement capacity building programs aimed at PFIs, including the development and/or improvement of their Environmental and Social Management Systems, and (f) Conduct knowledge exchanges on strategies and operational approaches to agricultural finance. Component 2. Access to sustainable finance for agrifood systems (US\$99 million IBRD; US\$17 million CCEFCF; US\$12 million FINAGRO; US\$85 million private financing). This component will finance the provision of lines of credit and partial credit guarantees to eligible PFIs, which in turn will provide subloans for climate-smart investments to final borrowers in the agricultural sector. These subloans will cover final beneficiaries' investment needs, especially those investments requiring long-term to be repaid. By way of example, FINAGRO will classify subloans that aligns with CSA eligibility criteria into four credit types: (a) On-farm irrigation technologies and practices to improve water use efficiency; (b) Clean energy and energy efficiency; (c) Technology and machinery to improve nutrient use efficiency, and (d) Sustainable livestock. Subcomponent 2.1. Sustainable line of credit (US\$99 million IBRD; US\$17 million CCEFCF; US\$12 million FINAGRO; US\$41 million private financing). Under this component, the Project will support FINAGRO in promoting access to sustainable financing for agricultural farmers to facilitate the transformation of agrifood systems through CSA investments. Under this subcomponent, the Project will channel subloans to eligible agricultural farmers and Integradores to finance investment in technology adoption, fixed asset acquisition, and infrastructure that enhances resilience and adaptation to climate change or contributes to reducing greenhouse gas emissions in agrifood production systems. By way of example, FINAGRO will classify subloans that aligns with CSA eligibility criteria into four credit types: (i) On-farm irrigation technologies and practices to improve water use efficiency; (ii) Clean energy and energy efficiency; (iii) Technology and machinery to improve nutrient use efficiency, and (iv) Sustainable livestock. Subcomponent 2.2. Partial credit guarantee for sustainable subloans (Total cost US\$40 million private financial intermediaries; US\$ 4 million from final borrowers). Under this subcomponent, FINAGRO's Agricultural Guarantee Fund (FAG) will help private PFIs mitigate the credit risk of final borrowers by providing partial credit guarantees for subloans disbursed following the CSA eligibility criteria of the Project. Under this subcomponent, FINAGRO's Agricultural Guarantee Fund (FAG) will use their own funds to encourage long-term financing offered by PFIs to agricultural farmers who are interested in adopting CSA technologies to grow their businesses but whose lack of collateral limits their capacity to get access to finance from the formal financial system. In this sense, FINAGRO's partial credit guarantee seeks to improve conditions for longer-term financing offered by PFIs, while sharing with FINAGRO the risks that might affect the repayment of subloans in the event of a default by the borrower. This subcomponent will crowd-in at least US\$40 million from private PFIs in subloans backed with guarantees to finance CSA investments following the eligible criteria of this project in addition to the volume of subloans disbursed under subcomponent 2.1. Component 3. Project management (US\$1 million IBRD; US\$1 million FINAGRO). This component will form the Project Coordination Team (PCT) and train the appointed staff and/or consultants to comply with the terms and conditions established in the Loan



Agreement regarding fiduciary aspects (financial management and procurement), environmental and social management, manage and supervise project implementation; monitor project progress and evaluate achievement of project development objective and intermediate results indicators

## D. Environmental and Social Overview

### D.1 Overview of Environmental and Social Project Settings

*[Description of key features relevant to the operation's environmental and social risks and opportunities (e.g., whether the project is nationwide or regional in scope, urban/rural, in an FCV context, presence of Indigenous Peoples or other minorities, involves associated facilities, high-biodiversity settings, etc.) – Max. character limit 10,000]*

The Project, led by the Fondo para el Financiamiento del Sector Agropecuario -FINAGRO-, will include three components: C1 - Strengthening of institutional capacity that includes technical assistance (TA) activities (consulting, capacity development, and training); C2 - Access to sustainable financing for agri-food systems which includes two Subcomponents: S2.1 - Sustainable credit line which includes the promotion and delivery of credit lines, through participating financial institutions (PFI), to actors in the Colombian agri-food system for productive purposes, that is, working capital or investments; S2.2 - Partial credit guarantee for sustainable loans which contemplates partial credit guarantee under financing from FINAGRO; and C3 - Project Management which includes the Project Coordination Team (PCT) and the training of designated staff and/or consultants.

As part of C2 (S2.1), through PFIs, long-term sustainable loans will be offered to promote the adoption of technology, the purchase of assets or infrastructure that provide resilience and adaptation to climate change or help reduce greenhouse gas emissions in agri-food production systems. FINAGRO will assume the credit risk of lending to PFIs and PFIs will assume the credit risk of lending to final borrowers. The Project will have national scope, especially in rural and semi-urban areas, and will be aimed at family farmers, small producers, and other actors in the Colombian agri-food system. The activities or subprojects that will be financeable through the credit lines, include: Sustainable livestock farming, Productive transformation, Water resources, Regenerative agriculture, Energy efficiency, and Renewable energies. No credit lines will be provided for the acquisition of land or for new primary production activities that would require the expansion of the current footprint. The exact location of the activities or subprojects to be financed will not be known until their implementation.

During the implementation of the Project, clearly defined eligibility criteria will be followed and detailed in the Project Operations Manual (POM). These criteria will ensure that the loan funds are used for their intended purposes following the obligations outlined in the Loan Agreement, including environmental and social requirements. With this operation, only PFI subprojects that involve Low or Moderate environmental and social risks will be financed, and this will be set out in the ESCP in addition to being further detailed in the POM. FINAGRO has created an exclusion list of activities, works or projects, which will be specific for this credit line with the WB. The E&S Management System (SARAS) of the Project will include eligibility criteria for the PFIs and adequate filters for excluding activities with high and substantial E&S risks from financing (see ESS1 for more details).

Regarding environmental characteristics, Colombia is listed as one of the world's "megadiverse" countries, hosting close to 10% of the planet's biodiversity. With 314 types of ecosystems, Colombia possesses a rich complexity of ecological, climatic, biological and ecosystem components. It ranks as one of the world's richest countries in aquatic resources; the country's large watersheds feed into the sub-continental basins of the Amazon, Orinoco, Caribbean, Magdalena-Cauca



and the Pacific. It has areas of high biological diversity in the Andean ecosystems, with a significant variety of endemic species, followed by the Amazon rainforests and the humid ecosystems in the Choco biogeographical area. Colombia faces many geological, hydrometeorological natural hazards and some anthropic hazards. It is located along the Ring of Fire and its geology sets the conditions for natural disasters.

Final beneficiaries are expected to be the integrators and agricultural actors along the entire value chain (i.e., producers, agri-food processors, service providers and retailers who formalize commercial agreements with the integrator companies accessing subloans). Agricultural producers who are not reached by traditional FIs will be indirectly benefitted by FINAGRO's credit line; these producers ensure the sale of their production by negotiating advance sales to the integrators. Although the project will be implemented throughout the country, the places in which the activities or subprojects to be financed will be developed will depend on the demand for the credit lines and the final needs of the beneficiaries. Hence, the population groups that will benefit indirectly from the project will not be known until implementation. It is probable that producers belonging to indigenous communities and other ethnic groups may benefit from the credit line, as well as women and young agricultural producers. Colombia has 102 indigenous communities living in 752 indigenous resguardos across the national territory in 178 municipalities approximately, mostly in rural areas. An important share of the resguardos is in the south, in the Amazonia. The country has also one of the largest Afro-Colombian populations in Latin America: 10.6 per cent of the total population, according to the 2005 census.

## **D.2 Overview of Borrower's Institutional Capacity for Managing Environmental and Social Risks and Impacts**

*[Description of Borrower's capacity (i.e., prior performance under the Safeguard Policies or ESF, experience applying E&S policies of IFIs, Environmental and social unit/staff already in place) and willingness to manage risks and impacts and of provisions planned or required to have capabilities in place, along with the needs for enhanced support to the Borrower – Max. character limit 10,000]*

FINAGRO is the apex financial intermediary (FI) for the Project and will channel long term credits through first tier PFIs to producers, farmers, ranchers, food processors, distributors, aggregators and other actors in the Colombian agri-food system. While FINAGRO has extensive experience acting as a second-tier bank in the agriculture sector in Colombia and the general due diligence analysis concluded it can appropriately manage intermediate funds, it has no previous experience implementing FI operations with MDBs. FINAGRO has policies, manuals and procedures for the management of its financial and operational risks. FINAGRO has a management information system that allows the monitoring of the financial and risk situation, including the preparation of various reports addressed to internal and external audiences (such as the Sustainability Management Report based on international sustainability standards – GRI, TCFD, SASB). FINAGRO has a policy for the management of environmental and social risks, which was approved by its Board in July 2021 and is based on the IFC's Performance Standards, sustainability principles, the Colombian regulation and international treaties related to sustainability in the Agriculture Sector subscribed by Colombia (i.e., Kyoto Protocol and Paris Agreement). Said policy aims at ensuring an integrated management of E&S risks of the credit operations conducted through PFIs. Through its integrated management system, FINAGRO registers and reviews the E&S risks management information submitted by the PFIs but relies on them to perform an adequate E&S risk management of the credits. FINAGRO categorizes the PFIs according to their capacity to manage E&S risks and a technical datasheet is created for each PFI and updated annually to register information on their management system. According to the available information, FINAGRO is currently developing an Environmental and Social Risk Management System (Sistema de Administración de Riesgos Ambientales y Sociales -SARAS) to examine credit operations according to an exclusion list, current regulations, the scope of activities and possible environmental and social impacts. This



SARAS will be ready by the end of 2024 after finalizing its preparation with the support of an external consultant – this is not part of the financing provided by the Bank – and undergoing an internal approval process that will culminate with the approval by the National Commission of Agricultural Credit. However, the WB's due diligence indicates that FINAGRO's ability to manage the environmental and social risks and impacts of loans, in accordance with the WB ESF, is still limited due to: (i) FINAGRO plans to require the complete implementation of SARAS for those operations of high amounts (operations greater than \$20,000 million COP); low-amount operations and low and moderate E&S risk operations must only comply with regulatory requirements; (ii) FINAGRO does not contemplate including in its SARAS a structured mechanism for E&S monitoring and follow-up after the loan has been approved; (iii) lack of experience implementing WB IPF projects and compliance with WB ESF requirements. FINAGRO has a Vice-Presidency of Strategic Affairs and Sustainability, with professionals specializing in environmental, social and HS matters; even though it does not have a unit specifically dedicated to managing the environmental and social aspects of the proposed project, the Project will work with FINAGRO's own units, which have capacity and experience, and will support them by providing the necessary capacity building to manage the Project in line with the Bank's requirements. As this is the first project to be implemented by FINAGRO under the ESF, the Bank will provide guidance to develop its ESMS (i.e. SARAS) consistent with the ESF. Consequently, FINAGRO will need specific strengthening measures to implement the provisions established in the WB ESF for the Project. The proposed areas of improvement and institutional strengthening measures include, among others: (i) The Project will support FINAGRO in the design and implementation of an effective and functional SARAS to manage environmental and social risks in its second tier loans, ensuring that PFIs and their beneficiaries comply with the environmental and social provisions established in the Project Loan Contract. The design and implementation of SARAS will be funded under C1. (ii) FINAGRO will establish and maintain throughout implementation a Project Coordination Unit (PCU) with qualified personnel and resources, responsible for coordinating the implementation, supervision, completion and documentation of all activities related to the Project, including the coordination for implementing the SARAS (ESMS) and E&S management in accordance with the provisions of the POM and ESCP. The PCU will be made up, among others, of a senior management representative who will have general responsibility for coordinating the E&S management of the Project, and an E&S specialist responsible for ensuring the permanent implementation of ESCP and SARAS throughout Project implementation. Each eligible PFI will designate a senior management representative to assume overall responsibility for coordinating the E&S management of the activities financed by the Project, and an E&S specialist responsible for the ongoing implementation of the PFI's ESMS. These specialists will receive training on the requirements of the ESF and on the implementation of the SARAS and the PFI's ESMS for the second tier credit line, and will receive implementation support from the WB as necessary. Recruitment and training of PCU members will be funded as part of C3. The aforementioned strengthening measures have been included in the draft ESCP of the Project.

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## II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

### A. Environmental and Social Risk Classification (ESRC)

Moderate

#### A.1 Environmental Risk Rating

Moderate

*[Summary of key factors contributing to risk rating, in accordance with the ES Directive and the Technical Note on Screening and Risk Classification under the ESF – Max. character limit 4,000]*

Environmental risk rating is Moderate under the World Bank ESF, based on: (i) C1 – the TA for capacity building, training and institutional strengthening, including support for preparing and implementing ESMSs for PFIs are not



expected to carry direct adverse environmental or social risks and impacts. TA activities will be carried out based on terms of reference acceptable to the WB and will incorporate the relevant requirements of the ESSs. The requirements of ESS1, pages 14-18, will apply to AT activities as appropriate to the nature of the risks. Terms of reference, work plans and documents defining the scope and results of TA activities will be drafted in a manner consistent with the ESS and will be described in the POM and reflected in the ESCP. (ii) C2 – financing loans for agrifood systems; according to the information available, the potential low to moderate environmental risks and impacts of Component S2.1 are related to: (i) minor soil or water pollution; (ii) use of resources (water, energy, and inputs); (iii) waste management; (iv) pest management; (v) flora and fauna impacts; (vi) occupational and community H&S risks (exposure to climatic factors, accidents and emergencies). Considering the low to moderate nature and magnitude of the potential environmental risks and impacts of FI subprojects, these would be: (a) predictable and expected to be temporary and/or reversible; (b) low magnitude; (c) site-specific, with no likelihood of impacts beyond the project's actual footprint; (d) low probability of serious adverse effects on human health and/or the environment; (e) the potential adverse environmental risks and impacts of these activities can be addressed with straight-forward mitigation measures and good practices. There is no significant potential for cumulative impacts. Loans that could cause high and substantial environmental and social risks, such as significant adverse impacts on biodiversity and habitats, or cultural heritage, or resettlement or impacts on indigenous peoples, would not be financed. Overall the adverse environmental impacts would be manageable through proper screening and assessment of the eligible and approved investments. As part of the SARAS, FINAGRO will develop criteria to determine PFI eligibility, including their E&S capacity to manage risks associated with the loans; to specify the scale/type of infrastructure expected considering criteria for only financing subprojects that have low or moderate risks and the assessment of potential land conversion for project activities. Likewise, FINAGRO is structuring an exclusion list to delimit the FI subprojects that will not be the subject of investment with this line of credit with the WB. Only investments with low or moderate environmental and social (E&S) risks will be eligible for financing. Activities associated with high or substantial E&S risks will not qualify for financing and will be excluded through the Project Exclusion List. The project is anticipated to have environmental benefits, as it aims to finance adoption of technologies and the purchase of assets or infrastructure that support resilience and adaptation to climate change, or that help reduce GHG emissions in agrifood production systems. FINAGRO is expected to consider, within the eligibility criteria for FI subprojects, considerations for the use of best available technology, energy efficiency and low carbon considerations.

## A.2 Social Risk Rating

Moderate

*[Summary of key factors contributing to risk rating, in accordance with the ES Directive and the Technical Note on Screening and Risk Classification under the ESF – Max. character limit 4,000]*

Social risk rating is Moderate under the World Bank ESF. TA under Component 1 for capacity building, training and institutional strengthening, including support for preparing and implementing ESMSs for PFIs, are not expected to have direct adverse social risks and impacts. TA activities will be carried out based on terms of reference acceptable to the WB. The screening of proposed activities indicates that high or significant risks or negative impacts on human populations are not likely and will not be financed under the project. By working with FINAGRO and PFIs, the Project will make resources available to vulnerable groups in rural areas of Colombia, including indigenous peoples, other ethnic groups, women and youth, and provide credit access to productive and working capital and to technology critical to expand and sustain productive activities and livelihoods in the agriculture sector. Support to the agrifood systems is critical to boost the economic activity and facilitate social inclusion of rural and semi-urban populations. Overall, social impacts are expected to be positive and a few risks are identified: (i) local labor practices that might not align with the legislation at community or producer level, including potential risks of SEA/SH, labor risks and child



labor; (ii) contextual risks related to conflict, crime and violence in some municipalities where the subprojects might be implemented (currently unknown); and (iii) impacts on vulnerable populations, i.e., indigenous, Afro-Colombian groups, women and youth that might not have equal access to project benefits. Risks will be mitigated by a robust exclusion list that reduces the impact on vulnerable populations, including Indigenous Peoples and Afro-Colombians, and the adverse risks or impacts on community health and safety, restrictions on land use and involuntary land acquisition, labor and working conditions, or cultural heritage. In addition, Colombia’s strong labor national regulation can mitigate labor-related risks. Stakeholder engagement enhancement measures will also be identified to avoid excluding vulnerable groups from accessing project benefits, as well as strategies to target them and facilitate their access to credit. Land tenure issues and disputes will be excluded through the exclusion list to be included in the SARAS and/or in the agreement signed between FINAGRO and the PFI.

*[Summary of key factors contributing to risk rating. This attribute is only for the internal version of the download document and not a part of the disclosable version – Max. character limit 8,000]*

## **B. Environment and Social Standards (ESS) that Apply to the Activities Being Considered**

### **B.1 Relevance of Environmental and Social Standards**

#### **ESS1 - Assessment and Management of Environmental and Social Risks and Impacts**

Relevant

*[Explanation - Max. character limit 10,000]*

ESS1 is relevant as it is embedded within ESS9. FINAGRO is preparing and will implement a SARAS (ESMS) that contemplates the second tier credit line with the WB. The SARAS will include a categorization process to evaluate the level of environmental and social risks of each of the proposed loans and must be prepared, submitted, and receive no objection from the World Bank prior to the effective date and to the start of S2.1 Project activities . The SARAS will be proportional to the nature and magnitude of the environmental and social risks and impacts of the PFI subprojects, the types of financing and the general risk aggregated at the portfolio level, in accordance with the Environmental and Social Policy of FINAGRO. Subprojects with low E&S risks classification will follow national law. Moderate risk subprojects will mostly follow national law except in cases of more complex E&S issues, which will also apply the ESF in case of gaps with the ESF. Risk identification will be done through FINAGRO and PFI ESMSs. These must be acceptable to the World Bank. High and substantial E&S risk activities of loans will not be eligible for financing and will be screened out through the project exclusion list (EL). Given the low to moderate E&S risk of the activities, E&S due diligence procedures done through FINAGRO and the PFIs ESMSs will include screening against the exclusion list, eligibility criteria, risk management measures, and monitoring and reporting. Compliance with national laws will serve as a framework for addressing E&S risk and impacts. Salient E&S characteristics can be determined once intervention sites and detailed scope of activities are known. The SARAS will include at least the following components (see ESS 9 for more details on the ESMS and its different components): (a) Regulatory framework; (b) Environmental and Social Policy, ratified by senior management; (c) Environmental and social capacity and processes to identify, categorize and select FI subprojects supported within the framework of the Project; this includes a process to categorize projects based on their level of E&S risks, using as a reference the WB criteria for categorizing E&S risks of projects; and an exclusion list with details of the excluded activities that are not eligible for financing under the Project; (d) Due diligence systems/processes to assess, monitor, review and manage the environmental

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and social risks and impacts of FI subprojects supported within the framework of the Project; these procedures must include management measures to: Ensure and promote health and safety at work in compliance with current national legislation; Promote efficient use of resources (water, energy and raw materials); Avoid or minimize polluting emissions and discharges, as well as the generation of waste (hazardous and non-hazardous); Anticipate and avoid risks to the health and safety of the community (including considerations related to climate change, traffic and road safety, diseases, accident risks and emergencies); Protect and preserve biodiversity, and promote sustainable management of flora and fauna; Avoid impacts on cultural heritage and support its preservation; (e) Capacity and organizational structure, with defined responsibilities and functions; (f) Monitoring and presentation of performance reports on the E&S management of FINAGRO and eligible PFIs (including incident and accident reports); (g) Meaningful and inclusive stakeholder engagement strategy, which will include spaces to provide feedback and information dissemination; (h) Grievance mechanism for addressing questions, complaints, claims and suggestions in a timely and effective manner. The exclusion list for WB-supported subprojects and other relevant ESS requirements will limit the E&S risk classification of subprojects to low and moderate according to the Bank’s ESF risk classification; hence, excluding substantial and high risk subprojects. As FINAGRO’s risk classification has three levels (low, moderate and high), the SARAS will clearly describe the criteria to determine the environmental and risk classification of subprojects, ensuring it is equivalent to the Bank’s classification of low and moderate risks, and that it excludes subprojects that would be classified as of significant risk under the ESF. Currently, FINAGRO has a broad exclusion list of five items (activities that contribute to deforestation; lidia stockbreeding; fighting cocks; illicit activities; legal costs non-related with the formalization of lands) which is established in article 3 of the Resolution 8 of 2023 (November 21, 2023) of the National Commission of Agricultural Credit, together with the list of eligible activities under FINAGRO’s financing; hence, it is legally enforceable. As part of the development of the SARAS, FINAGRO is developing a detailed exclusion list of twenty items that will be presented to the National Commission of Agricultural Credit to be approved by another resolution which will give it legal enforceability. This exclusion list is aligned with the exclusion list suggested by the Bank’s team in November 2023 as part of the preparation of the Project. However, the definitive items of the exclusion list will be confirmed after the Commission approves it – this is expected to occur in June/July 2024, before the finalization of the SARAS and the Project’s effectiveness. Should the list approved by the Commission not meet requirements of the Project to limit the environmental and social risk to low and moderate according to the ESF criteria, such requirements will be established as an annex to the legal agreements signed between FINAGRO and the PFIs to participate in the Project’s credit line. This measure will ensure the enforceability of the exclusion list for PFIs. Each of the eligible PFIs must establish and implement its own ESMS that meets the requirements for the FINAGRO’s SARAS; alternatively, PFIs will adopt FINAGRO’s SARAS before selecting any activity or subproject supported under S2.1 of the Project. FINAGRO will verify and validate that the ESMS of the eligible PFIs are aligned with the requirements of FINAGRO’s SARAS. Environmental and social obligations will be contractually transferred to the eligible PFIs through the agreement signed by FINAGRO and the PFI.

**ESS10 - Stakeholder Engagement and Information Disclosure**

Relevant

*[Explanation - Max. character limit 10,000]*

ESS10 is relevant as it is embedded within ESS9 and due to the potential risk that some of the targeted final beneficiaries might be excluded from the project. Based on the moderate risk rating of the Project, on the proportional requirements under ESS9 and on actions 1 and 2 of the ESF streamlining process, the Project will rely on FINAGRO’s engagement policies. These are headed by the Strategic Communications Plan 2024-2026 (SCP), which was developed during 2023 after an evaluation of the strengths and weaknesses of the engagement measures and

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based on FINAGRO's Institutional Strategic Plan. The SCP was developed to convey that FINAGRO is a development bank that aims to improve the quality of life of producers and agricultural sustainability. Its scope is focused on internal communications, corporate matters, engagement for development and digital engagement; and its objective is to strengthen relations with all groups of interest linking them with FINAGRO's purpose to democratize credit to provide a better quality of life to farmers and producers. The SCP identifies the following groups of interests: collaborators, Board of Directors and shareholders, as internal groups; IF, beneficiaries (producers and farmers), guilds and professional associations, government (specifically, Ministry of Agriculture and Ministry of Finance), the community, allies, multilateral and cooperation entities, academia and media, as external groups. The SCP sets the interests, demands and engagement requirements for each group. The SCP is articulated through four pillars and several strategies, which include: under pillar 1 – Positioning as a development bank that democratizes credit: (i) Implement a pedagogy strategy to showcase what FINAGRO does and to explain the terms around the low-cost credit to farmers; (ii) Increase the notoriety of FINAGRO by promoting effectively and timely the products and benefits of its portfolio; (iii) Consolidate FINAGRO as a generator of information within the financial sector; (iv) Rethink FINAGRO's digital strategy taking into account the relevance, accessibility and segmentation of the groups of interest; (v) Preventively manage communication in crisis situations; under pillar 2 – Communication for development: transforming lives: (i) Generate trust linkages with farmer and producer communities; (ii) Promote a strategy for farmers to relate and adapt their productive activities to the new environment aimed at mitigation of the impact of climate change; (iii) Create a space for farmers and producers to provide feedback and share their questions, doubts and suggestions; under pillar 3 – Relationship with intermediaries: a more humane bank: (i) Promote access to credit through campaigns that seek to generate confidence in the financial system in order to combat usury; (ii) Promote in commercial banking the reputational and image benefits of giving credit to small producers and promoting sustainable agriculture; finally, under pillar 4 – Internal communications: Conscious ambassadors: (i) connect workers with the entity's promise of value through the Institutional Strategic Plan; (ii) Promote an organizational culture based on trust, collaborative work and effective leadership; (iii) Recognize and make visible the work of collaborators; (iv) Rethink internal communication products. Additionally, FINAGRO has a methodology for providing feedback to the interested parties which aims at identifying the needs and expectations of the value groups and groups of interest to satisfy their requirements by improving its management, products and services. Based on a power-interest matrix, the methodology prioritizes engagement with its value groups, which are its clients – financial intermediaries – and its beneficiaries – producers, farmers, guilds and producer associations –; these have been found to have high interest and high power. The methodology is focused on attentively managing the engagement with these interested parties, as well as with its shareholders and various governmental levels (both belong to the groups of interest), to keep them closely involved in the decision making process and in FINAGRO's governance, for which the following engagement tools have been set: (i) the Agriculture Business Opinion Survey, managed with the Colombian Society of Farmers (Sociedad de Agricultores de Colombia, SAC), is aimed at producers and measures perception of the products and services of FINAGRO, as well as satisfaction of the support provided; (ii) the Satisfaction survey of financial intermediaries, conducted by the Commercial Vice-presidency, measures territorial presence and the accompaniment provided to FIs; (iii) the Commercial Management Report, presented each trimester, includes information on grievances, questions, suggestions and information requests received, and results on the management indicators, as well as segmentation of FIs, implementation of the strategy, institutional presence, regional strategy and information channels (call center, website, in-person assistance); (iv) the National Development Plan and Sectorial Strategic Plan are the basis to identify the needs for the financing of the agricultural and rural sectors, and to develop FINAGRO's Institutional Strategic Plan; (v) the periodic meeting of the Board of Directors identify needs and take into account the recommendations of the members of the Board to articulate them with the strategy and operation of FINAGRO; (vi)



periodic regional meetings with collaborators are the channel to obtain information on the financing needs of the agricultural and rural sectors of the departments and municipalities; (vii) the Organizational Environment Survey serves to identify how FINAGRO should adapt to issues such as leadership, management, strategy, results, growth, among others; (viii) the annual Accountability Hearing held by the presidency with the value groups and groups of interest, presents the management results and conducts a survey to assess the presentation of the report and the needs and expectations of the interested parties that participate in the hearing; (ix) previously to signing agreements with allies and multilateral entities, the needs and expectations of the corresponding parties are identified to consider them in the preparation of such agreements. Other groups of interest, such as the community, collaborators, allies and multilateral and cooperation entities, have lower levels of power and interest; thus, the methodology establishes an approach to keep them informed and monitor their engagement. The SCP is supported by FINAGRO's gender policy, the protocol for people with disabilities, the Committee of Financial Intermediaries, management procedures for granting the credit program before the Financial Intermediary, advisory services for agricultural and/or rural projects, and procedures for the structuring of credit programs. Furthermore, FINAGRO's engagement policies will be complemented by stakeholder engagement enhancement measures as indicated in the ESCP. These measures will include, among others, inclusive and culturally appropriate measures to ensure that indigenous peoples, ethnic groups, women, youth and laypersons in financial terms can access and understand the conditions, responsibilities and benefits of the credit line under the Project. FINAGRO will also assess the specific interested parties affected by this Project to complement its corporate analysis of groups of interest and deepen the analysis of needs and requirements to ensure accessible and effective engagement for all. Once defined after the assessment, the engagement enhancement measures will be detailed in the POM. The Bank's social team will review the POM before providing no objection. FINAGRO has initiated consultations on the Project with potential PFIs, relevant sector entities and guilds to explain the Project's objectives, its design and its implications. Feedback received during these activities is taken into account to adjust Project design in order to satisfy PFI business demands whilst ensuring the fulfilment of the Project's development objective. Consultations will continue during the following months before Project effectiveness and throughout Project implementation, as established in SCP and the engagement enhancement measures that will be detailed in the POM. Such consultations will include discussions on benefits of identifying, assessing, mitigating and monitoring E&S risks of eligible investment subprojects, and disseminating good E&S practices when providing credits funded with Project resources. Feedback will be integrated in the instruments as relevant. FINAGRO's grievance mechanism (GM) will be used as the Project-level GM. The GM is accessible through various channels (phone, web questionnaire, in-person assistance in FIANGRO's offices, mail) and counts with a labelling system to identify, among others, the type, topic (among other, sexual harassment, gender discrimination and environmental and social aspects) and priority groups to which the petitioner may belong (indigenous, Afrocolombian, displaced persons, minors, people with disabilities, victims of the conflict, women heads of households, etc.). The use of the GM will be established in FINAGRO's SARAS. During implementation, the correct functioning of the GM will be monitored in order to identify improvement measures, if needed, and incorporate them to ensure the adequate response to the Project-related grievances, claims, questions, information requests and suggestions.

**ESS2 - Labor and Working Conditions**

Relevant

*[Explanation - Max. character limit 10,000]*

ESS2 is relevant so far as it is embedded within ESS9. The relevant aspects of this standard will be considered as part of FINAGRO's SARAS and the ESMS of the respective eligible PFIs, in accordance with ESS9. Based on the moderate

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risk rating of the Project, the Project will rely on the borrower’s national framework and on FINAGRO’s policies. Colombia’s labor regulation is robust and complies with ESS2. Additionally, FINAGRO has: an Occupational Health and Safety Management System, Health and Safety Rules of Procedure, Physical Security Best Practices, ISO 45001 accreditation on OHS; it is strengthening its Gender Policy (which has an implementation manual for both internal and external application) by improving its SEA/SH procedures (it has Sexual Harassment Procedures in place) with the support of external consultants – these procedures set a specific channel to submit SEA/SH related grievances in an anonymous manner if preferred; a Workplace Coexistence Manual that sets guidelines for positive working interactions and a Workplace Coexistence Committee to address related issues; procedures to address anticorruption and conflict of interest cases, as well as a channel (Ethic Line) to submit related claims; and a grievance mechanism in place for its workers and contractors. FINAGRO and financed credits will involve (i) direct workers (FINAGRO and PFIs staff) and (ii) consultants and maybe other contracted workers employed by eligible PFIs. Given the nature of the investment subprojects, labor and working requirements will be addressed through screening and compliance with local and national laws per paras. 14 and 16 of ESS9, and will be included in the SARAS of FINAGRO as well as the ESMSs of the PFIs. FINAGRO and PFIs will ensure that the Project and its investments follow national law when hiring Project workers.

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

Relevant

*[Explanation - Max. character limit 10,000]*

ESS3 is relevant as it is embedded within ESS9. The ESS3 requirements to the subprojects are likely to be addressed through screening and compliance with national laws per paras. 14, 16 of ESS9 and the information of the Draft OA for ESS3. The agricultural value chains and producer association targeting small and medium scale farmers will have potential risks of land pollution, wastewater management, risks related to construction or rehabilitation activities. The exclusion list will screen out credits with environmental potentially significant or high risks. The ESMSs for FINAGRO and PFIs will incorporate national guidance on pollution management and use of agrochemicals. According to the type and scale of activities will not require a water balance study. The project will support the GHG’s reduction. The relevant aspects of this standard will be considered as part of FINAGRO’s SARAS and the ESMS of the respective eligible PFIs, in accordance with ESS9.

**ESS4 - Community Health and Safety**

Relevant

*[Explanation - Max. character limit 10,000]*

ESS4 is relevant as it is embedded within ESS9. Given the nature of the investment subprojects, ESS4 requirements are likely to be addressed through screening and compliance with local and national laws per paras. 14 and 16 of ESS9. Investment subprojects are expected to have low community exposure to E&S risks and impacts. The exclusion list will screen out credits with high/substantial risks or impacts on community health and safety; e.g.,: new structural elements situated in high-risk locations, including those with risk of extreme weather or slow onset events; activities that may be subject to high risk or criminal/violent attacks in non-secure areas; exposure of communities to water/vector-borne, water-based, water-related and communicable and noncommunicable diseases; potential community exposure to hazardous and particularly life threatening materials. The relevant aspects of this standard will be considered as part of FINAGRO’s SARAS and the ESMS of the respective eligible PFIs, in accordance with ESS9.

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**ESS5 - Land Acquisition, Restrictions on Land Use and Involuntary Resettlement**

Not Currently Relevant

*[Explanation - Max. character limit 10,000]*

ESS5 is not relevant as the Project is not expected to cause physical displacement or any restrictions of access to land or to natural resources. The Project will not finance investment subprojects that require land acquisition or result in involuntary land taking and resettlement; this will be established in the exclusion list that will be included in the SARAS and/or in the agreements signed between FINAGRO and PFIs, and further detailed in the POM. Any infrastructure related investments will only be built on land within the beneficiaries' property. To avoid potential conflicts related to land tenure, the Project will ensure that all beneficiaries demonstrate corresponding rights of use of their lands in order to access Project benefits.

**ESS6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources**

Relevant

*[Explanation - Max. character limit 10,000]*

ESS6 is relevant so far as it is embedded within ESS9 and as the Project will finance productive activities that include management of livestock, forestry, etc. Given the nature of the investment, ESS6 requirements are likely to be addressed through screening and compliance with local and national laws per paras. 14 and 16 of ESS9 and the information of the Draft OA for ESS6. FINAGRO ESMS's screening process will exclude activities that may lead to loss, conversion or degradation of natural or protected habitats. FINAGRO and the PFIs will commit through the exclusion list that no Project action will be promoted in areas where they could directly or indirectly induce environmentally negative land use change and affect natural habitats. Relevant aspects of this standard will be considered as part of FINAGRO's SARAS and the ESMS of the respective eligible PFIs, in accordance with ESS9.

**ESS7 - Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities**

Relevant

*[Explanation - Max. character limit 10,000]*

ESS7 is relevant so far as it is embedded within ESS9. Given the nature of subprojects, ESS7 requirements are likely to be addressed through screening and compliance with national laws (ESS9 par. 14, 16). Intervention areas have not been defined, but it is likely that IP, Afrocolombians and other ethnic groups will be among the beneficiaries. It will be assessed how and where these groups can benefit from the Project and whether there may be risks or potential impacts to them. The main challenge is associated with the principle of equal treatment for all beneficiaries to access credits: these groups might require additional support to be able to tap into Project resources. To address such barriers, dedicated efforts will be made to ensure these stakeholders are engaged and this will be set out in the ESCP. The SARAS will include inclusive and culturally appropriate measures which FINAGRO is evaluating and working on, such as developing materials and resources in an accessible and understandable language, as well as in indigenous language if necessary. Potential high/substantial risks and impacts for these groups will be ineligible for Project support through the exclusion list, to avoid significant adverse impacts on land and natural resources subject to traditional ownership or under customary use or occupation.

**ESS8 - Cultural Heritage**

Relevant



*[Explanation - Max. character limit 10,000]*

ESS8 is relevant for the Project as it is embedded within ESS9. Given the nature of the investment subprojects, ESS8 requirements are likely to be addressed through screening and compliance with local and national laws per paras. 14 and 16 of ESS 9. PFIs will take the necessary actions, through their ESMSs, to avoid or mitigate risks and impacts in case that any chance finds surface, including immediate communication to the Colombian Institute of Anthropology and History (ICANH in Spanish). The relevant aspects of this standard will be considered as part of FINAGRO's SARAS and the ESMS of the respective eligible PFIs, in accordance with ESS9.

**ESS9 - Financial Intermediaries**

Relevant

*[Explanation - Max. character limit 10,000]*

This standard is relevant. The project aims to help FINAGRO establish and expand second-tier lending operations to provide credit lines to small agricultural producers and family farmers through private PFIs. As part of this operation, FINAGRO is required to monitor and manage the environmental and social risks and impacts of second-tier FI subprojects through an ESMS (named SARAS by FINAGRO). The World Bank has conducted a detailed assessment of FINAGRO's environmental and social management procedures, which will serve as a starting point for the design of the SARAS for the second-tier operations to be financed with project funds. Under the proposed operation, FINAGRO will be required to develop, implement and maintain this SARAS in a manner consistent with the requirements of the ESS9 and commensurate with the risks of the second-tier FI subprojects. The SARAS will be ready and receive no objection from the World Bank prior to the effective date and prior to the start of S2.1 activities of the project. The SARAS, as defined in ESS9, will include: (a) regulatory framework; (b) environmental and social policy, ratified by senior management: FINAGRO has an environmental and social policy for its entire operation; however, its applicability for this line of credit must be reviewed with the WB in compliance with the ESF; (c) environmental and social capacity and processes to identify, categorize and select FI subprojects (application of exclusion lists, site review and technical aspects of each FI subproject); this includes a process to categorize projects according to their level of environmental and social risks, using as a reference the WB criteria to categorize the environmental and social risks of projects (low, moderate, substantial and high risk); high and substantial risk FI subprojects will be excluded; (d) due diligence systems/processes to assess, monitor, review and manage the environmental and social risks and impacts of FI subprojects; these procedures must include management measures to: Ensure and promote health and safety at work in compliance with current national legislation; Promote efficient use of resources (water, energy and raw materials); Avoid or minimize polluting emissions and discharges, as well as the generation of waste (hazardous and non-hazardous); Anticipate and avoid risks to the health and safety of the community (including considerations related to climate change, traffic and road safety, diseases, accident risks and emergencies); Protect and preserve biodiversity, and promote sustainable management of flora and fauna; Avoid impacts on cultural heritage and support its preservation; (e) organizational capacity and competence, including a budget and a designated senior management position to report on SARAS and an environmental and social specialist, as well as to provide training and capacity development on SARAS procedures and performance; (f) monitoring and presentation of performance reports on the E&S management of FINAGRO and eligible PFIs (including incident and accident reports); (g) Meaningful and inclusive stakeholder engagement strategy, which will include spaces to provide feedback and information dissemination; (h) Grievance mechanism for addressing questions, complaints, claims and suggestions in a timely and effective manner. Each of the eligible PFIs must establish and implement its own ESMS that meets the requirements of FINAGRO's SARAS, or failing that, adopt or benefit from FINAGRO's SARAS, before

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selecting any FI subproject supported under S2.1 of the Project. FINAGRO will verify and validate that the ESMS of the eligible PFIs are aligned with the requirements of FINAGRO's SARAS. Environmental and social obligations will be contractually transferred to the eligible PFIs through an agreement signed between FINAGRO and the PFIs. The ESMS requirements for the eligible PFIs will be the same as those requested by the WB to FINAGRO. The eligible PFI ESMS must include at least the following general components: (a) environmental and social policy; (b) environmental and social procedures and the ability to select subprojects perform due diligence to assess environmental and social risk and assign risk categories; (c) due diligence systems/processes to evaluate, monitor, review and manage the environmental and social risks and impacts of the subprojects; d) organizational capacity and competence; and (e) external communications and reporting mechanisms on environmental and social performance. FINAGRO will require that each eligible PFI designate a senior management representative to have overall responsibility for environmental and social performance, and an environmental and social specialist to be responsible for the ongoing implementation of the ESMS.

**B.2 Legal Operational Policies that Apply**

**OP 7.50 Operations on International Waterways**

No

**OP 7.60 Operations in Disputed Areas**

No

**B.3 Other Salient Features**

**Use of Borrower Framework**

In Part

*[Explanation including areas where "Use of Borrower Framework" is being considered - Max. character limit 10,000]*

The Borrower Framework will be applied as per ESS9, given the low or moderate risk level of FI subproject investments. National legislation will be applied to subprojects with minimal or no adverse environmental or social risks and impacts. The project will support the development and strengthening of FINAGRO's SARAS and the PFI's ESMS to comply with ESS9 and will take the opportunity to streamline environmental and social requirements and align them with best practices. For instance, ESS10 requirements will be met through the application of FINAGRO's Strategic Communication Plan, the Methodology for engagement with interested parties and other policies already in place as described under the ESS10 section, and will be strengthened by engagement enhancement measures detailed in the POM. Additionally, ESS2 requirements will be met by applying Colombia's regulatory framework and FINAGRO's policies, as described in the ESS2 section.

**Use of Common Approach**

No

*[Explanation including list of possible financing partners – Max. character limit 4,000]*

N/A

**B.4 Summary of Assessment of Environmental and Social Risks and Impacts**

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*[Description provided will not be disclosed but will flow as a one time flow to the Appraisal Stage PID and PAD – Max. character limit 10,000]*

Environmental risk rating at concept is assessed to be Moderate based on the screening of the proposed activities, which include: (i) under Component 1 – the TA for capacity building, training and institutional strengthening, including support for ESMSs for PFIs; (ii) under Component 2 – financing loans for agrifood systems, which include support to agricultural value chains and producer association targeting small and medium scale farmers. The project is anticipated to have environmental benefits, as it aims to finance adoption of technologies and the purchase of assets or infrastructure that support resilience and adaptation to climate change or help reduce greenhouse gas emissions in agrifood production systems.

TA activities under Component 1 are not expected to have significant environmental and social risks. The activities under Component 2 can have potential risks during implementation of the activities funded by the loans, such as: (i) minor soil or water pollution; (ii) use of resources (water, energy, and inputs); (iii) waste management; (iv) pest management; (v) flora and fauna impacts; (vi) occupational and community H&S risks (exposure to climatic factors, accidents and emergencies). Considering the nature and magnitude of the potential environmental risks and impacts of FI subprojects, these would be: (a) predictable and expected to be temporary and/or reversible; (b) low magnitude; (c) site-specific, with no likelihood of impacts beyond the project's actual footprint; (d) low probability of serious adverse effects on human health and/or the environment; (e) the potential adverse environmental risks and impacts of these activities can be addressed with straight-forward mitigation measures and good practices. There is no significant potential for cumulative impacts. Loans that could cause significant adverse impacts on biodiversity and habitats, or cultural heritage, would not be supported. Overall the adverse environmental impacts would be manageable through proper screening and assessment of the eligible and approved investments. As part of its SARAS, FINAGRO will develop criteria to determine PFI eligibility, including their E&S capacity to manage risks associated with the loans; to specify the scale/type of infrastructure expected considering criteria for moderate risks and the assessment of potential land conversion for project activities. Likewise, FINAGRO is structuring an exclusion list to delimit the FI subprojects that will not be the subject of investment with this line of credit with the WB. Ultimately, only low and/or moderate risk investments will be financed, as set out in the ESCP and detailed in the POM. High and substantial E&S risk activities of loans will not be eligible for financing and will be screened out through the Project exclusion list.

Social risk rating is moderate under the World Bank ESF). TA under Component 1 for capacity building, training and institutional strengthening, including support for preparing and implementing ESMSs for PFIs, are not expected to have direct adverse social risks and impacts. TA activities will be carried out based on terms of reference acceptable to the WB. The screening of proposed activities indicates that significant risks or negative impacts on human populations are not likely. By working with FINAGRO and PFIs, the Project will make resources available to vulnerable groups in rural areas of Colombia, including indigenous peoples, ethnic groups, women and youth, and provide credit access to productive and working capital and to technology critical to expand and sustain productive activities and livelihoods in the agriculture sector. Support to the agrifood systems is critical to boost the economic activity and facilitate social inclusion of rural and semi-urban populations. Overall, social impacts are expected to be positive and a few social risks are identified: (i) local labor practices that might not align with the legislation at community or producer level, including potential risks of SEA/SH, labor risks and child labor; (ii) contextual risks related to conflict, crime and violence in some municipalities where the subprojects might be implemented (currently unknown); and (iii) impacts on vulnerable populations, i.e., indigenous, Afro-Colombian groups, women and youth that might not have equal access to project benefits. Risks will be mitigated by a robust exclusion list that reduces the impact on vulnerable populations, including Indigenous Peoples and Afro-





Colombians, and the adverse risks or impacts on community health and safety, restrictions on land use and involuntary land acquisition, labor and working conditions, or cultural heritage. Colombia's strong labor national regulation can mitigate labor-related risks. Stakeholder engagement enhancement measures will also be identified to avoid excluding vulnerable groups from accessing project benefits. Land tenure issues and disputes will be excluded through the exclusion list to be included in the SARAS and/or in the agreement signed between FINAGRO and the PFI.

### **C. Overview of Required Environmental and Social Risk Management Activities**

#### **C.1 What Borrower environmental and social analyses, instruments, plans and/or frameworks are planned or required by implementation?**

*[Description of expectations in terms of documents to be prepared to assess and manage the project's environmental and social risks and by when (i.e., prior to Effectiveness, or during implementation), highlighted features of ESA documents, other project documents where environmental and social measures are to be included, and the related due diligence process planned to be carried out by the World Bank, including sources of information for the due diligence - Max. character limit 10,000]*

Versions of the following instruments will be prepared and disclosed prior to Appraisal:

- a) Environmental and Social Commitment Plan (ESCP) that will include:
- Implementation and institutional arrangements, including organizational structure, and roles and responsibilities.
  - Incidents and accidents reporting.
  - Monitoring and reporting.
  - Exclusion of financing of Substantial and High Risk FI subprojects
  - E&S requirements for Technical Assistance
  - Commitment to implement FINAGRO's SARAS and for PFIs to develop and implement ESMSs acceptable to the WB.
  - Stakeholder engagement and dissemination of information.
  - Labor management and working conditions.
  - Capacity strengthening measures, including:
    - Detailed training plan to strengthen FINAGRO's capacity to prepare projects in a manner consistent with the WB's ESF, to be committed in the first months of implementation.
    - Capacity building to relevant stakeholders (PFIs, beneficiaries, etc.) on relevant aspects related to EHS and support to the PFIs to develop their own ESMS if required.
    - If required, a phased approach to E&S risk management to strengthen compliance with ESS9 and relevant ESSs as applicable.

Prior to Project effectiveness, FINAGRO's SARAS and ESMS for eligible PFIs will include at least the following:

- Regulatory framework.
- Environmental and social policy, ratified by senior management.
- An exclusion list for WB-supported subprojects and other relevant ESS requirements, that will limit the E&S risk classification of subprojects to low and moderate according to the Bank's risk classification. The SARAS will clearly describe the criteria to determine the environmental and risk classification of subprojects, ensuring it is equivalent to the Bank's classification of low and moderate risks.



- Environmental and social capacity and processes to identify, categorize and select FI subprojects (application of exclusion lists, site review and technical aspects of each FI subproject).
- Due diligence systems/processes to assess, monitor, review and manage the environmental and social risks and impacts of FI subprojects.
- Organizational capacity and competence, including budget and staff.
- Monitoring and presentation of performance reports on the E&S management of FINAGRO and eligible PFIs.
- Stakeholder engagement, external communication and information dissemination.
- Grievance mechanism to manage questions, complaints, claims, requests for information and suggestions.

**III. CONTACT POINT**

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**V. APPROVAL**

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