

Corporación Financiera Nacional B.P. (CFN)

**Promoting Access to Finance for Productive
Purposes for Micro, Small and Medium
Enterprises Project and its Additional
Financing
(P172899; P180477, PE)**

Revised version

**ENVIRONMENTAL AND SOCIAL
COMMITMENT PLAN (ESCP)**

March 30, 2023

ENVIRONMENTAL AND SOCIAL COMMITMENT PLAN

1. The *Corporación Financiera Nacional B.P.* (the “Borrower” or “CFN”) of Ecuador is implementing the Promoting Access to Finance for Productive Purposes for Micro, Small and Medium Enterprises (MSMEs) Project (P172899) (hereinafter the “Project”), as set out in (a) a Loan Agreement dated July 28, 2020 (the “Original Loan Agreement”) between the International Bank for Reconstruction and Development (hereinafter “the Bank”) and the Borrower, which provides financing for the Project (the “original financing”), and (b) a Loan Agreement to be entered into between the Bank and the Borrower (the “AF Loan Agreement” and, together with the Original Loan Agreement, the “Loan Agreements”) providing for additional financing for the Project (the “additional financing”). The Bank has agreed to provide the original financing (P172899) and the additional financing (P180477) for the Project, as set out in the referred agreements. This ESCP supersedes previous versions of the ESCP for the Project and shall apply both to the original financing and the additional financing for the Project referred to above.
2. The Borrower shall ensure that the Project is carried out in accordance with the Environmental and Social Standards (ESSs) and this Environmental and Social Commitment Plan (ESCP) in a manner acceptable to the Bank. The ESCP is a part of the Loan Agreements. Unless otherwise defined in this ESCP, capitalized terms used in this ESCP have the meanings ascribed to them in the Loan Agreement(s).
3. Without limitation to the foregoing, this ESCP sets out material measures and actions that the Borrower shall carry out or cause to be carried out, including, as applicable, the timeframes of the actions and measures, institutional, staffing, training, monitoring, and reporting arrangements, and grievance management. The ESCP also sets out the environmental and social (E&S) instruments that shall be adopted and implemented under the Project, all of which shall be subject to prior consultation and disclosure, consistent with the ESS, and in form and substance, and in a manner acceptable to the Bank. Once adopted, said E&S instruments may be revised from time to time with prior written agreement by the Bank.
4. As agreed by the Bank and CFN, this ESCP will be revised from time to time if necessary, during Project implementation, to reflect adaptive management of Project changes and unforeseen circumstances or in response to Project performance. In such circumstances, CFN and the Bank agree to update the ESCP to reflect such changes. Agreement on changes to the ESCP will be documented through the exchange of letters signed between the Bank and CFN’s General Manager (Gerente General). CFN will promptly disclose the updated ESCP.

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY
MONITORING AND REPORTING			
A	<p>REGULAR REPORTING</p> <p>CFN shall prepare and submit to the Bank, regular progress reports on the environmental, social, health and safety (ESHS) performance of the Project and the operation of CFN's Environmental and Social Management System (ESMS), in form and substance acceptable to the Bank, as set forth in the Project's Operational Manual (POM).</p>	<p>CFN shall furnish to the Bank each Project Report not later than 45 days after the end of each calendar semester.</p>	<p>CFN – Project Coordination Team (PCT)</p>
B	<p>PARTICIPATING FINANCIAL INTERMEDIARIES (PFIs) REPORTS</p> <p>CFN shall request Eligible PFIs to prepare and submit reports on ESHS performance of subprojects supported under Parts 2 (b), 2 (c), and 3 of the Project, including the operation of their respective ESMS, according to the format set forth in the POM.</p>	<p>Eligible PFIs shall furnish to CFN each progress report not later than 45 days after the end of each calendar semester. These reports shall be provided to the Bank, at the request of the Bank.</p>	<p>CFN -PCT shall require from Eligible PFIs</p>
C	<p>INCIDENTS AND ACCIDENTS</p> <p>Promptly notify the Bank any incident or accident related to the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public, or workers, including, inter alia, cases of sexual exploitation and abuse (SEA), sexual harassment (SH), and accidents that result in death, serious or multiple injury. CFN shall provide sufficient details about the incident or accident and indicate the immediate measures that were taken to address it, and include the information provided by the Eligible PFIs, contractors, and supervising entities, as appropriate. Subsequently, at the Bank's request, CFN will prepare a report on the incident or accident and propose measures to remedy and / or prevent its recurrence.</p>	<p>Any incident or accident shall be notified no later than 48 hours after taking notice of the incident or accident. A subsequent report shall be provided within a period acceptable to the Bank, as requested.</p>	<p>CFN – PCT</p>

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY
	CFN will request Eligible PFIs to report any incident or accident that occur in subprojects financed under the Project. The report will be prepared with the minimum requirements set forth in the POM.		
ESS 1: ASSESSMENT AND MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS			
1.1	<p>ORGANIZATIONAL STRUCTURE</p> <p>1.1.1 The Project Coordination Team (PCT) was established and is responsible, <i>inter alia</i>, for updating and implementing the ESMS and for coordinating the management of the environmental and social aspects of the Project in accordance with the provisions of the Project’s Loan Agreements and this ESCP. The PCT shall be comprised, among others, of:</p> <ul style="list-style-type: none"> • A senior representative who assumes the overall responsibility for coordinating the management of the environmental and social aspects of the Project. • An environmental and social specialist responsible for the day-to-day implementation of the ESMS during Project implementation. <p>1.1.2 Require that each Eligible PFI designate a senior representative to assume overall responsibility for coordinating the management of the environmental and social aspects of the subprojects supported under the Project, and an environmental and social specialist responsible for the day-to-day implementation of the ESMS.</p>	<p>1.1.1 The PCT (including the senior representative and an environmental and social specialist), was established and shall be maintained throughout Project implementation.</p> <p>1.1.2 Eligible PFIs shall designate a senior representative and an environmental and social specialist before the selection of any subproject to be supported under Parts 2 (b), 2 (c), and 3 of the Project. This requirement shall be included in the PFI Financing Agreement or the Participation Agreement, as applicable.</p>	<p>1.1.1 CFN – PCT</p> <p>1.1.2 CFN shall require from Eligible PFIs</p>

	MATERIAL MEASURES AND ACTIONS	TIMEFRAME	RESPONSIBLE ENTITY
1.2	<p>ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM</p> <p>1.2.1 CFN designed, and adopted, and shall continue to implement an ESMS with clear processes and structure for due diligence and supervision of environmental and social aspects for Parts 2 (b), 2 (c), and 3 of the Project, which includes, inter alia, the following elements:</p> <ul style="list-style-type: none"> - Project description. - Regulatory framework. - Environmental and Social Policy. - Clearly defined procedures for the identification, assessment and management of the environmental and social risks and impacts of subprojects supported under the Project. - Excluded activities. - Emergency preparedness and response measures. - Organizational capacity and structure. - Supervision and reporting. - Consultation and Disclosure - Grievance Mechanism. <p>1.2.2 Each of the PFIs shall develop an ESMS, as requested within the CFN’s ESMS. CFN shall verify and validate that the PFI’s ESMSs are aligned with CFN’s ESMS.</p>	<p>1.2.1 The ESMS is and shall continue to be in place throughout the Project implementation, and in any event prior to carrying out any activity under Parts 2 (b), 2 (c), and 3 of the Project.</p> <p>1.2.2 CFN shall validate PFI’s ESMSs prior to signing the Participation Agreement according to the POM.</p>	CFN – PCT
1.3	<p>TECHNICAL ASSISTANCE</p> <p>1.3.1 Ensure that consultancies, studies, capacity building activities, and any other technical assistance activity of the Project is carried out in accordance with terms of reference acceptable to the Bank, which shall consider and duly the requirements of the ESSs, when appropriate.</p>	Throughout Project implementation.	CFN – PCT

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY
1.4	<p>ACTIVITIES SUBJECT TO RETROACTIVE FINANCING</p> <p>1.4.1 Provide the Bank with a consolidated report evidencing that allocated funds to be recognized under retroactive financing complied with the requirements set forth in the ESSs relevant to the Project. The report may be part of the semiannual report</p>	1.4.1 Provide the Bank with a consolidated report of the disbursements to cover the eligible expenditures for the retroactive financing on a semi-annual basis, according to section A.	CFN - PCT
ESS 2: LABOR AND WORKING CONDITIONS			
2.1	<p>LABOR MANAGEMENT PROCEDURES</p> <p>2.1.1 CFN has prepared and disclosed and shall continue to implement the Labor Management Procedure (LMP), aligned with ESS2, including occupational health and safety (OHS) measures, as well as a grievance redress mechanism (GRM) for Project workers, as required by ESS9. The OHS measures are part of the ESMS.</p> <p>2.1.2 CFN shall require Eligible PFIs to prepare and implement an LMP, in the terms according to action 2.1.1 above.</p>	<p>2.1.1 The LMP shall be implemented throughout Project implementation and updates shall be made as needed.</p> <p>2.1.2 This requirement shall be included in the PFI Financing Agreement or the Participation Agreement, as applicable.</p>	<p>2.1.1 CFN – PCT</p> <p>2.1.2 CFN-PCT shall require from Eligible PFIs</p>
2.2	<p>GRIEVANCE MECHANISM FOR PROJECT WORKERS</p> <p>CFN designed and shall continue to implement the GRM for Project workers, as described in the LMP and consistent with ESS2.</p>	GRM for workers is in place and shall be maintain and operate it throughout Project implementation.	CFN-PCT
ESS 3: RESOURCE EFFICIENCY AND POLLUTION PREVENTION AND MANAGEMENT			
Relevant aspects of this standard will be considered as part of the ESMS implementation of CFN and Eligible PFIs, in accordance with ESS9.			
ESS 4: COMMUNITY HEALTH AND SAFETY			
Relevant aspects of this standard will be considered as part of the ESMS implementation of CFN and Eligible PFIs, in accordance with ESS9.			
ESS 5: LAND ACQUISITION, RESTRICTIONS ON LAND USE AND INVOLUNTARY RESETTLEMENT			
A due diligence procedure related to prevent involuntary resettlement will be considered as part of the ESMS implementation of CFN and Eligible PFIs, in accordance with ESS9.			

MATERIAL MEASURES AND ACTIONS	TIMEFRAME	RESPONSIBLE ENTITY
ESS 6: BIODIVERSITY CONSERVATION AND SUSTAINABLE MANAGEMENT OF LIVING NATURAL RESOURCES		
Relevant aspects of this standard will be considered as part of the ESMS implementation of CFN and Eligible PFIs, in accordance with ESS9.		
ESS 7: INDIGENOUS PEOPLES/SUB-SAHARAN AFRICAN HISTORICALLY UNDERSERVED TRADITIONAL LOCAL COMMUNITIES		
Relevant aspects of this standard will be considered as part of the ESMS implementation of CFN and Eligible PFIs, in accordance with ESS9.		
ESS 8: CULTURAL HERITAGE		
Relevant aspects of this standard will be considered as part of the ESMS implementation of CFN and Eligible PFIs, in accordance with ESS9.		
ESS 9: FINANCIAL INTERMEDIARIES		
<p>9.1 ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM</p> <p>9.1.1 CFN designed and adopted, and shall continue to implement an Environmental and Social Management System (ESMS) for Parts 2 (b), 2 (c) and 3 of the Project, which includes, inter alia, the following elements:</p> <ul style="list-style-type: none"> - Project description. - Regulatory framework. - Environmental and Social Policy. - Clearly defined procedures for the identification, assessment, and management of the environmental and social risks and impacts of subprojects supported under the Project. - Excluded activities. - Emergency preparedness and response measures. - Organizational capacity and structure. - Supervision and reporting. - Consultation and Disclosure - Grievance Mechanism. <p>9.1.2 CFN shall request Eligible PFIs to prepare or update, adopt and implement an ESMS in order to receive financing or to provide partial credit guarantees for subprojects through Parts 2 (b), 2 (c) and 3 of the Project, which will include, inter alia, the following elements:</p> <ul style="list-style-type: none"> - Project description. - Regulatory framework. 	<p>9.1.1 This action has the same timeframe as action 1.2. above. The ESMS is applied throughout Project implementation.</p> <p>9.1.2 Eligible PFIs shall establish, adopt, and implement its ESMS before the selection of any subproject to be supported under Parts 2 (b), 2 (c), and 3 of the Project. This requirement shall be included in the PFI Financing Agreement or the Participation Agreement, as applicable.</p>	<p>9.1.1 CFN – PCT</p> <p>9.1.2 CFN -PCT shall require from Eligible PFIs.</p>

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY
	<ul style="list-style-type: none"> - Environmental and Social Policy. - Clearly defined procedures for the identification, assessment, and management of the environmental and social risks and impacts of subprojects supported under the Project. - Excluded activities. - Emergency preparedness and response measures. - Organizational capacity and structure. - Supervision and reporting. - Consultation and Disclosure - Grievance Mechanism. 		
9.2	<p>EXCLUSIONS</p> <p>Screen and require Eligible PFIs to review all subprojects that may be supported under Parts 2 (b), 2 (c), and 3 of the Project, to exclude the excluded activities as set out in the POM.</p> <p>The mechanism for conducting the analysis of exclusions will be part of the ESMS of CFN and the Eligible PFIs.</p>	Exclusions should be analyzed as part of the implementation of the respective ESMSs, throughout Project implementation.	CFN -PCT shall require from Eligible PFIs
9.3	<p>FINANCIAL INTERMEDIARIES CAPACITY</p> <p>CFN shall require Eligible PFIs to establish and maintain the organizational capacity and competence to implement ESMS with functions and responsibilities in accordance with the provisions of action 1.1.2 above.</p>	See action 1.1.2 above	CFN -PCT shall require from Eligible PFIs
ESS 10: STAKEHOLDER ENGAGEMENT AND INFORMATION DISCLOSURE			
10.1	<p>STAKEHOLDER ENGAGEMENT PLAN PREPARATION AND IMPLEMENTATION</p>	10.1.1 Draft updated SEP disclosed before Project Appraisal.	10.1.1 CFN – PCT

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY
10.1.1	Develop and disclose a draft updated Stakeholder Engagement Plan (SEP). While the draft updated SEP is being finalized, the current SEP shall continue to be implemented.	10.1.2 Updated SEP disclosed no later than 60 days after the Effective Date of the AF Loan Agreement and thereafter implemented throughout Project implementation.	10.1.2 CFN – PCT
10.1.2	Update, adopt, and implement the Stakeholder Engagement Plan (SEP), which should consider, inter alia, the disclosure of a summary of the ESMS on CFN’s website. The SEP may be amended and updated (and disclosed) as needed during Project implementation.		
10.2	<p>PROJECT GRIEVANCE MECHANISM</p> <p>Update, adopt, maintain, and operate a Grievance Mechanism, as described in the SEP.</p>	The Project grievance mechanism has been and shall continue to be operational throughout Project implementation, for any activity under Parts 2b, 2c, and 3 of the Project.	CFN – PCT
CAPACITY SUPPORT			
CS1	<p>CFN adopted and shall continue to implement a plan to strengthen the environmental and social capacity building of CFN and PFIs staff.</p> <p>Training to be provided to PIU staff and PFIs project workers shall include, among others:</p> <ul style="list-style-type: none"> • Development and continual improvement process of CFN and PFIs’ ESMSs. • Stakeholder mapping and engagement. • Environmental and social assessment according to CFN’s ESMS. • Requirements for regular E&S reporting. • Grievances redress mechanisms. • Occupational health and safety including emergency prevention and preparedness and response arrangements to emergency situations. 	A plan is in place and shall continue to be implemented throughout Project implementation. Changes shall be made as needed throughout Project implementation.	CFN – PCT