

Early Warning System

# IDBI-12457-01

## Banco Bolivariano

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### Quick Facts

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| **Countries** | Ecuador |
| **Financial Institutions** | IDB Invest (IDBI) |
| **Status** | Proposed |
| **Bank Risk Rating** | B |
| **Voting Date** | 2018-12-14 |
| **Borrower** | Banco Bolivariano |
| **Sectors** | Finance |
| **Investment Type(s)** | Loan |
| **Investment Amount (USD)** | $ 30.00 million |
| **Project Cost (USD)** | $ 30.00 million |

## Project Description

The project's objective is to support Banco Bolivariano in providing financing to small and medium-sized enterprises (SMEs) whose main activities are focused on the sectors related to economic integration, commerce and the value chain and to promote the expansion of a specialized green credit line for SMEs. To achieve this objective, IDB Invest proposes to grant a loan of up to US$30 million with a term of up to six years. The project also includes a technical assistance ("TA") to provide diagnostic tools, training and support to Banco Bolivariano with the goal of improving and promoting green lending for SMEs.

## People Affected By This Project

1. General Description of the Scope of the IDB Invest Environmental and Social Review

IDB Invest assessed Banco Bolivariano's ability to manage the environmental and social ("E&S") risks of its mainly commercial banking portfolio, with the following annual distribution: (i) SMEs: from US$100,000 to US$3 billion; (ii) Enterprises: from US$3 billion to US$5 billion and iii) Corporations: more than US$5 billion.

The following documents were reviewed: (i) Environmental Management Policy; ii) Draft Manual on Application of the E&S Risk Management System ("Sistema de Administracion de Riesgo Ambiental y Social- SARAS") and (iii) the Portfolio E&S Risk Map.

The E&S Due Diligence was conducted through a meeting held at the offices of Banco Bolivariano in the city of Guayaquil on October 11, 2018. The meeting was attended by the IDB Invest E&S Officer and Banco Bolivariano's Business Risk Manager and Assistant Comprehensive Risks Manager, who answered questions regarding the SARAS.

It should also be noted that Banco Bolivariano has Carbon Neutral certification granted by Earth University of Costa Rica in 2012, and received ISO 9001 - 2015 recertification in 2017.

2. Environmental and Social Classification and Rationale

This is a category FI-2 project operation in accordance with the IDB Invest E&S policy, given that the portfolio of current and future subprojects poses medium risk. Banco Financiero has a SARAS that is in a pilot stage and applicable to the portfolio of loans to enterprises and corporations. The SARAS manual is expected to be submitted for approval by the Board in December 2018 and its implementation will begin in January 2019.

3. Environmental and Social Risks and Impacts

The main E&S risks of this project are related to Banco Bolivariano's primarily commercial portfolio in the following sectors: (i) agriculture; (ii) fishing; (iii) extractive industries; (iv) infrastructure; (v) construction: and (vi) manufacturing. The information analyzed[1]confirmed that 25% are in the medium risk (B) and high risk category (A), corresponding to the manufacturing and construction sectors.

The procedures and responsibilities for granting lines of credit are defined in the draft of the Manual on Application of SARAS, which is applicable to financing requests for the operations of corporate and enterprise clients of Banco Bolivariano that meet the following conditions: (i) the amount of the loan is equal to or greater than US$ 1 million; and (ii) the credit application is for a term of more than one year. The SARAS to be implemented is not applicable to the SME portfolio.

The implementation, monitoring and continuous improvement of the SARAS is the responsibility of: (i) the E&S Responsibility Committee; (ii) banking officials and managers of enterprises in the commercial area; (iii) the Chief of Environmental Management in the Comprehensive Risks area; and (iv) The E&S Officer in the Comprehensive Risks Area. All officials with responsibility for the SARAS have been trained in the application of the Manual.

4. Mitigation Measures

The SARAS Manual consists of: (i) the exclusion list; (ii) identification of clients in sectors exposed or highly exposed to environmental and social risks; (iii) E&S categories (A, B and C); (iv) E&S verification list[2](mandatory for categories A and B), which includes a list of questions related to the client's environmental and social performance, on the basis of which the Risk Officer will issue his opinion and/or recommendation on mitigation and/or monitoring actions to be taken, embodied in an Action Plan, if applicable. In addition, there will be annual monitoring of operations categorized as A and B and the Action Plans (as applicable).

As part of its Environmental Management Policy, Banco Bolivariano has established a list of prohibited activities for financing.

### Investment Description

- IDB Invest (IDBI)

### Financial Intermediary

Financial Intermediary: A commercial bank or financial institution that receives funds from a development bank. A financial intermediary then lends these funds to their clients (private actors) in the form of loans, bonds, guarantees and equity shares. Financial intermediaries include insurance, pension and equity funds. The direct financial relationship is between the development bank and the financial intermediary.

- Banco Bolivariano (Financial Intermediary)

## Contact Information

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For queries or comments for IDB Invest: IDB Invest's Communications Group

E-mail: divulgacionpublica@iadb.org

For questions on projects, including environmental and social issues related to an IDB Invest investment, communicate with the client or IDB Invest using the contact information provided above. As a last resort, communities affected by the project have access to the IDB Invest Independent Consultation and Investigation Mechanism.

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## Bank Documents

- Company Overview of Banco Bolivariano C.A.