

Corporación Financiera Nacional B.P. (CFN)

**Promoting Access to Finance for Productive
Purposes for Micro, Small and Medium
Enterprises Project
(P172899)**

Version for Negotiations

**Environmental and Social Commitment Plan
(ESCP)**

May 15, 2020

ENVIRONMENTAL AND SOCIAL COMMITMENT PLAN

1. The *Corporación Financiera Nacional B.P.* (CFN) of Ecuador will implement the Promoting Access to Finance for Productive Purposes for Micro, Small and Medium Enterprises (MSMEs) Project (hereinafter “the Project”). The International Bank for Reconstruction and Development (hereinafter “the Bank”) has agreed to provide financing for the Project. The Republic of Ecuador will act as a guarantor for CFN in relation to the financing provided by the Bank.
2. CFN will implement material measures and actions to ensure that the Project is implemented in accordance with the Environmental and Social Standards (ESSs). This Environmental and Social Commitment Plan (ESCP) sets out material measures and actions, any specific documents or plans, as well as the timing to implement each of these.
3. CFN will comply with the provisions of any other environmental and social tools and documents required under the ESSs and referred to in this ESCP, such as the Environmental and Social Management System (ESMS), Labor Management Procedures (LMP), and Stakeholder Engagement Plan (SEP), and the timelines specified in those E&S documents.
4. CFN is responsible for compliance with all requirements of the ESCP and will monitor the implementation of specific measures and actions conducted by other institutions.
5. Implementation of the material measures and actions set out in this ESCP will be monitored and reported to the Bank by CFN as required by the ESCP and the conditions of the legal agreement, and the Bank will monitor and assess progress and completion of the material measures and actions throughout implementation of the Project.
6. As agreed by the Bank and CFN, this ESCP may be revised from time to time during Project implementation, to reflect adaptive management of Project changes and unforeseen circumstances or in response to assessment of Project performance conducted under the ESCP itself. In such circumstances, CFN will agree to the changes with the Bank and will 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 General Manager (Gerente General) of CFN. CFN will promptly disclose the updated ESCP.
7. Where Project changes, unforeseen circumstances, or Project performance result in changes to the risks and impacts during Project implementation, CFN shall provide additional funds, if needed, to implement actions and measures to address such risks and impacts.

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY/ AUTHORITY
MONITORING AND REPORTING			
A	<p>REGULAR REPORTING</p> <p>CFN will prepare and submit to the Bank, 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 will 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 will 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. 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>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</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/ AUTHORITY
	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 Establish a Project Coordination Team (PCT) responsible, <i>inter alia</i>, for preparing 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 legal agreement and this ESCP. The PCT will be comprised, among others, by:</p> <ul style="list-style-type: none"> • A senior representative who will assume 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), will be established no later than 30 days after the Project Effective Date, and thereafter maintained throughout Project implementation.</p> <p>1.1.2 Eligible PFIs will 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 will 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 will require from Eligible PFIs</p>
1.2	<p>ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM</p> <p>CFN will design, adopt and implement an ESMS with clear</p>	The ESMS must be established no later than 90	CFN – PCT

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY/ AUTHORITY
	<p>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 will include, 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>days after the Effective Date, and in any event prior to carrying out any activity under Parts 2 (b), 2 (c), and 3 of the Project.</p>	
1.3	<p>CAPACITY BUILDING PLAN CFN will prepare a plan for the development of environmental and social capacities that includes a timeline and an estimated budget for training and activities aimed at improving the ESMS used by CFN and the PFIs.</p>	<p>Plan to be submitted no later than 60 days after the Effective Date, and thereafter implemented. Changes shall be made as needed throughout Project implementation.</p>	<p>CFN – PCT</p>
1.4	<p>TECHNICAL ASSISTANCE 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>	<p>Throughout Project implementation.</p>	<p>CFN – PCT</p>
<p>ESS 2: LABOR AND WORKING CONDITIONS</p>			

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY/ AUTHORITY
2.1	<p>LABOR MANAGEMENT PROCEDURES</p> <p>2.1.1 CFN will prepare a Labor Management Procedure (LMP), aligned with ESS2, including occupational health and safety (OHS) measures, as well as a mechanism for complaints and claims for its workers, as required by ESS9. The OHS measures will be part of the ESMS.</p> <p>2.1.2 CFN will 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 should be disclosed no later than 60 days after the Effective Date. Implementation and updates will be made as needed throughout Project implementation.</p> <p>2.1.2 This requirement will be included in the PFI Financing Agreement or the Participation Agreement, as applicable.</p>	<p>2.1.2 CFN – PCT</p> <p>2.1.2 CFN-PCT will require from Eligible PFIs</p>
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			
Not currently relevant			
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			
9.1	<p>ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM</p> <p>9.1.1 CFN will design, adopt, and implement an Environmental and Social Management System (ESMS) for 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. - Environmental and Social Policy. - Clearly defined procedures for the identification, 	<p>9.1.1 This action has the same timeframe as action 1.2. above. Once established, the ESMS is applied throughout Project implementation.</p>	<p>9.1.1 CFN – PCT</p>

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY/ AUTHORITY
	<p>assessment, and management of the environmental and social risks and impacts of subprojects supported under the Project.</p> <ul style="list-style-type: none"> - Excluded activities. - Emergency preparedness and response measures. - Organizational capacity and structure. - Supervision and reporting. - Consultation and Disclosure - Grievance Mechanism. <p>9.1.2 CFN will 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. - 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 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 will be included in the PFI Financing Agreement or the Participation Agreement, as applicable.</p>	<p>9.1.2 CFN -PCT will require from Eligible PFIs.</p>
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</p>	<p>Exclusions should be analyzed as part of the implementation of the respective ESMSs,</p>	<p>CFN -PCT will require from</p>

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY/ AUTHORITY
	<p>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>	throughout Project implementation.	Eligible PFIs
9.3	<p>FINANCIAL INTERMEDIARIES CAPACITY</p> <p>CFN will 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 will require from Eligible PFIs
ESS 10: STAKEHOLDER ENGAGEMENT AND INFORMATION DISCLOSURE			
10.1	<p>SEP PREPARATION AND IMPLEMENTATION</p> <p>a) Develop and disclose a draft Stakeholder Engagement Plan (SEP).</p> <p>b) Update, adopt, and implement the 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 redisclosed) as needed during Project implementation.</p>	<p>a) Draft SEP disclosed before Project Appraisal.</p> <p>b) Revised SEP disclosed no later than 60 days after the Effective Date and thereafter implemented throughout Project implementation.</p>	<p>a) CFN – PCT</p> <p>b) CFN – PCT</p>
10.2	<p>PROJECT GRIEVANCE MECHANISM</p> <p>Update, adopt, maintain and operate a Grievance Mechanism, as described in the SEP.</p>	The mechanism must be operational before the of the carrying out of any activities under Parts 2 (b), 2 (c), and 3 of the Project.	CFN – PCT