

***Visión Banco* - Habitat for Humanity's Improved Housing Program for Low-income Families in Urban Paraguay**

ENVIRONMENTAL AND SOCIAL STRATEGY (ESS)

I. Transaction Overview

1. The proposed transaction is an OMJ partial credit guarantee of up to US\$3 million to Vision Banco S.A.E.C.A. ("Vision"), a leading commercial bank in Paraguay specialized in microfinance, which will be able to borrow from a local bank in order to leverage the financial resources, in local currency, for their new low-income housing credit line. Vision will extend the resources to urban clients to undertake home improvements or expansion, and new construction in the framework of a pilot partnership with Habitat for Humanity ("Habitat") and the government's Agencia Financiera de Desarrollo, AFD. Vision, Habitat and AFD have come together to develop the first specialized financial product to serve the needs of urban populations that currently do not have access to formal credit for housing construction, improvements or expansion in Paraguay. The total cost of the initiative is US\$6million.
2. Under this scheme, Visión will conduct the initial screening and selection of beneficiaries based on pre-defined eligibility criteria. Vision will then evaluate the debt repayment capacity of pre-selected beneficiaries. If it deems they are eligible on financial grounds, Habitat will assign an architect to design the proposed construction and assess its feasibility and costs with the beneficiary. In parallel, Habitat will provide the first of two financial literacy workshops to the beneficiaries. The loan contracts will be signed in favor of Vision with the authorization to disburse the resources in favor of Habitat, which will be in charge of starting the construction work. Vision will then submit the loans to AFD to be processed under the "Mi Primera Casa" program for reimbursement.
3. To be eligible, clients must: (i) have been working a minimum of three years at their current job; ii) belong to a family with at least one dependent, (ii) own real estate, (iii) have a monthly family income of no more than 4MWs; and (iv) participate in two financial education workshops, which will be carried out by Habitat for Humanity. The project targets to reach up to 2,500 beneficiaries among Vision's current and new clients.

II. Environmental and Social Impacts and Risks

4. The operation will allow for the improvement of homes and living conditions of families who do not usually have access to housing credit, which is expected to generate positive social impacts.
5. At the same time, there are environmental and health and safety risks associated with the sites where the house improvements will take place (e.g. risk of

contaminated site, or natural disaster risk), the design and carrying out of the improvement themselves (e.g. unsafe or vulnerable structure; air and noise pollution), and the materials that will be used in construction (e.g. banned or dangerous materials such). These risks are considered to be very low given the small amount of the loans and the active participation of Habitat. They will be mitigated by (i) the technical expertise of Habitat for Humanity, which will design the improvements and conduct the technical due-diligence with the potential sub-borrowers; (ii) the IDB environmental and social requirements, including a simple environmental procedure to be defined during the due-diligence phase.

III. Strategy for Environmental and Social Due Diligence

6. Based on Directive B.13 of the Environment and Safeguards Compliance Policy (OP703), and given that this is a credit guarantee to a financial intermediary, this operation is not subject to an environmental impact classification.
7. During the due diligence phase, the IDB will assess Vision Banco's and Habitat for Humanity's tools and capacity for environmental management. It will establish how environmental risks and impacts will be assessed, monitored and mitigated and thus define the environmental and social requirements of the operation, which will be reflected in the ESMR and the Loan Agreement.
8. The environmental and social due-diligence will focus on the components listed below and will attempt to identify areas where the Bank's participation could result in additionality by promoting better management and good practices:
 - i. An assessment of Vision's involvement in projects, companies or activities considered unacceptable to the IDB in case it could represent a reputational issue.
 - ii. An assessment of Vision's compliance with all ESHS and labor legislation applicable in Paraguay.
 - iii. An evaluation of Vision's compliance with the Fundamental Principles and Rights at Work and with any other international labor organization conventions and treaties which, to assess potential labor issues associated with microenterprises.
 - iv. An evaluation to ensure an appropriate inventory of present environmental and occupational safety liabilities Vision's facilities and operations, and if so, assess the adequacy of the action plan to properly resolve them.
 - v. An assessment of Vision Banco's and Habitat for Humanity's tools and capacity for environmental management, especially for housing construction and improvement.
 - vi. An assessment of the final criteria used to select beneficiaries, to make sure they are not discriminatory from a social standpoint.