

Environmental and Social Strategy Project NI-L1045

Background

AGRICORP S.A. (the “Company”) is the leading distributor of rice, wheat, beans and other staple food products in Nicaragua and is therefore, a strategic player in ensuring food-supply stability and security in the country. AGRICORP’s main business is to produce, import, trade, and distribute basic food products working with local producers and distribution channels in Nicaragua.

The Company is seeking refinancing of its short-term debt obligations and financing for specific capital investments for approximately US\$14.2 million distributed in two tranches. Tranche I, of US\$10 million, consists in refinancing the Company’s short-term commercial debt and Tranche II is an Opportunities for the Majority facility, of US\$4.2 million, to support small bean producers through AGRICORP’s participation in the FrijolNica Program (together “The Project”).

The Company’s capital expenditure includes: (i) investment in new rice warehousing facilities (plastic ‘silos’ at site), (ii) investment in its salt business initiated in 2002 as a partnership with a cooperative of local salt producers, (iii) support for FrijolNica bean producers through a) investments in warehouse and processing facilities for beans and, b) working capital financing for small producers to purchase seeds, fertilizers and investments to improve crop yield.

The refinancing will replace short-term debt maturities and is expected to provide a tenor of up to five years. The increased tenors will provide the Company with increased operating flexibility and liquidity to manage its working capital and capital investment needs.

Environmental and Social Impacts and Risks

The project has no significant or adverse social impacts. On the contrary, the project is expected to generate net positive social benefits through increased food security, better market access, higher income generation opportunities and general improvement to local rural livelihoods.

Potential direct environmental impacts are those associated with rice, beans and salt processing improvements and the construction and operation of the new facilities: (1) construction and improvement of physical storage (warehouse silos) for rice; (2) construction of processing capacity (processing plant) for beans; and (3) improvements to existing sea salt processing and packaging facility.

Potential indirect environmental impacts relate to the Company’s current environmental management practices in its supply and distribution chains, such as impacts from existing agricultural practices by intermediaries suppliers and farmers. These indirect impacts and risks could include: (1) poor/inadequate land use practices (soil, water, & waste management, use of fertilizers and pesticides; erosion control); (2) impacts on air quality; and (3) non-adequate working conditions.

As such, Project’s direct and indirect impacts are of limited magnitude and can be mitigated with readily available practices. Therefore, according with IDB’s OP-703 Environment and Safeguards Compliance Policy, the Project Team proposes the Project to be classified as Category “B”.

Strategy for the Environmental and Social Due Diligence

The Bank will perform an Environmental and Social Due Diligence (ESDD) in order to confirm that all Project relevant environmental and social impacts and risks, including direct and indirect have been, or will be, properly and adequately evaluated and mitigated. The ESDD will specifically:

Review Project compliance with Nicaraguan national, state, and municipal environmental, social, labor, and health and safety laws and regulations, as well as with any applicable IDB Policy, including the Environment and Safeguards Compliance Policy.

Assess the quality of AGRICORP's Environmental, Social and Health and Safety Management Systems, including the adequacy of the resources allocated for their application. Assess environmental compliance of the existing (salt processing) and planned facilities (rice and bean processing plants; storage warehouses), including confirmation that direct and indirect environmental and social impacts and liabilities have been properly addressed and mitigated. Special emphasis will be placed on assuring the adequacy of the existing or planned pollution prevention and control systems.

Evaluate AGRICORP's supply chain management policy in terms of its content and scope to adequately reflect the incorporation of criteria for responsible sourcing of its agricultural commodities, including verification and monitoring of application by its intermediary suppliers of best land use and management practices, such as use of agrochemicals (fertilizers and pesticides), erosion control, harvesting and packaging (food safety) practices, water management and waste management, and working conditions.

The ESG team member will prepare an Environmental and Social Management Report (ESMR) for review and approval by the Bank's Environmental and Social Impact Review (ESR), and establish the environmental, social, health and safety, and labor requirements to be presented in the Loan Proposal.