

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	REGIONAL/IDB
▪ TC Name:	Enabling projects, Clients and Markets through Improved Environmental and Social Risk Management
▪ TC Number:	RG-T3496
▪ Team Leader/Members:	MONTER FLORES, ERNESTO (INE/TSP) Team Leader; MCKEE, COLIN (RSM/SEG) Alternate Team Leader; ARAMBURU MUNOZ-NAJAR, ROMINA MONICA (RSM/SEG) Alternate Team Leader; LEYVA MUNOZ, CESAR (CSD/CSD); TODT DE AZEVEDO, LUIZ GABRIEL (RSM/SEG); GRECO, MARIA SOFIA (LEG/SGO); KILLMER, ANNETTE BETTINA (CSD/CSD); TAVERAS MARTE, ALBA (INE/TSP)
▪ Taxonomy:	Research and Dissemination
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	11 Jun 2019
▪ Beneficiary:	Private sector operations, industry associations, public entities and public-private partnerships
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$1,250,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	36 months
▪ Types of consultants:	Firms; Individuals
▪ Prepared by Unit:	Infrastructure and Energy Sector
▪ Unit of Disbursement Responsibility:	Infrastructure and Energy Sector
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Environmental sustainability

II. Objective and Justification

- 2.1 This Technical Cooperation (TC) focuses on the development challenges of Environmental and Social (E&S) Risks. The TC's objective is to improve the integration of E&S analysis as a core component of (i) private sector operations development and execution, and (ii) standard setting at the market and country level. Outputs from both components will seek to deliver standard-setting approaches that are to the benefit of both public and private sector actors. It is predicated on the knowledge that the private sector plays a fundamental role in delivering sustainable development, however, can only do so on the basis of sound environmental and social risk management approaches; this is particularly true in high impact/high growth sectors such as agribusiness, manufacturing, industry and energy to name a few. It acknowledges that E&S risk management standards among private sector actors are lacking, but through the right interventions leading models can be defined for the benefit of wider society.
- 2.2 The TC is aligned with efforts to strategically employ OC resources to contribute to the acceleration of economic growth. This TC will address E&S risk management shortcoming by leading the implementation of key flagship interventions with private sector actors and related entities that provide a demonstration effect (Component 1) and use those experiences to develop sound E&S standards, knowledge products and build

capacity at the sector and country level (Component 2). This TC will support the efforts to strategically employ OC resources by focusing on key sectors such as infrastructure, corporates, SMEs, and financial intermediaries with emphasis on gender, climate change and E&S sustainability.

- 2.3 IDB Group aspires to deliver transformational development projects, fostering private sector-led sustainable development, and meeting ambitious climate finance targets, among others. The private sector plays a crucial role in leading with design concepts, but also in reinforcing public sector initiative priorities. Delivering on this ambitious agenda with creative and innovative first-of-kind approaches requires TC funding to help prime, execute, and learn from these investments. Through this funding, IDB Group will develop and implement risk mitigation measures that will allow projects to meet international best-practice E&S standards and deliver more efficient and sustainable transactions to support development priorities.
- 2.4 This TC is strategically aligned to the objectives of the OC-SDP for Countries to (i) strengthen the technical and managerial capacity of public agencies; (ii) support projects addressing the specific needs of small and vulnerable countries; and (iii) expand access to intraregional experiences and advance the exchange of cooperative know-how among all borrowing member countries.

III. Description of Activities and Outputs

- 3.1 Component 1 - Enhanced E&S Risk Management in Private Sector Operations. This component focuses on improving the management of E&S risk of individual private sector operations. It acknowledges that high risk, yet strategic and high profile operations (such as ports, dams, transport, energy project, and investment funds, among others) under nationally-defined private sector led development agendas can have significant negative environmental and social impacts that detract from broader sustainable development goals. This is particularly the case in small and vulnerable countries where private sector examples of strong E&S management along with robust E&S legislation can be lacking. Where such projects fail to incorporate high E&S standards, they risk becoming national blemishes, tarnishing whole sectors; where such operations adopt leading E&S management approaches, they become regional showcase models, capable of attracting further international investment and overcoming common financial hurdles. Specific support may include design, development and implementation of innovative E&S risk management systems, alignment towards certification standards; community engagement programs, and capacity building and training to new standards, among others. This component will, where relevant, work closely with government authorities to align interventions with national legislative priorities. Through improved E&S performance at an individual operation level, it presents an opportunity for IDB to define new models for future replication by public and private companies, furthering our brand as a partner of choice in the region.
- 3.2 Component 2 - Sector and Country E&S Risk Management. This component will strengthen the means by which E&S risks are evaluated, managed, and standards established at the sector and/or country level. Where E&S management is not integrated holistically into a sector's planned expansion, environmental degradation persists heightening the potential for slower unsustainable growth or worse conflict especially where nearby communities exist. This component seeks to work in high impact/growth sectors (and through companies, industry associations, public agencies, civil society, etc.) where the potential to transition to more sustainable practices exists. It acknowledges that by working with a sector as a whole and minimizing the potential for risk or conflict, sustainable economic growth can be accelerated, attracting new foreign customers and delivering spillover effects to other sectors that also adopt sustainable practices. Examples of such sustainable solutions at a sector level relate to agricultural certification, sustainable land use, and cleaner production approaches, among others.

This component could include regional, strategic and/or sector-wide E&S studies; support in the creation of round-tables or working groups; and development of technical guidelines and operational manuals, among others. Successful examples of this work to date include the creation of good practice guides and training for the development of wind power in Argentina, and the creation of a Sustainable Finance Roundtable in Paraguay to address deforestation concerns, both models of which have been shared with other IDB member countries for replication.

- 3.3 **Component I: Component 1 - Enhanced E&S Risk Management in Private Sector Operations.** This component focuses on improving individual private sector operations in growth sectors and the management of E&S risk.
- 3.4 **Component II: Component 2 - Sector and Country E&S Risk Management.** This component will strengthen the means by which E&S risks are evaluated, managed, and standards established at the sector and/or country level.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Component 1 - Enhanced E&S Risk Management in Private Sector Operations	US\$750,000.00	US\$0.00	US\$750,000.00
Component 2 - Sector and Country E&S Risk Management	US\$500,000.00	US\$0.00	US\$500,000.00
Total	US\$1,250,000.00	US\$0.00	US\$1,250,000.00

V. Executing Agency and Execution Structure

- 5.1 The execution of this TC will be carried out by the Bank through the Transport Division (INE/TSP) in coordination with CSD/CSD and IDB Invest. The eligibility criteria that will guide selection of individual projects are defined as the 'Criteria for Operations under Economic Growth'. In sum, projects must demonstrate that they can address (i) the identification of challenges currently hindering growth, (ii) be sector specific, (iii) address barriers that impede the emergence of new sectors, (iv) be within a sector with growth potential, (v) propose solutions, and (vi) improve the IDB's position in fostering dialogue / growth in the region. In addition, projects will also provide a demonstration effect for future replication by relevant regional or national actors with or without IDBG's continuing support.
- 5.2 CSD and INE with support from RSM/SEG possess the required expertise to lead the identification and selection of eligible project beneficiaries across target sectors (infrastructure, corporates, and financial intermediaries), in close coordination with relevant public sector actors.

VI. Project Risks and Issues

- 6.1 The success of the TC is also associated with adequate partnership and implementation by the beneficiaries. The main risk is that beneficiaries fail to accomplish real change, beyond formality. The risk can be minimized by ensuring that beneficiaries understand the benefits of the TC and have strong commitment before engaging in the TC relationship and incorporating contractual provisions in the financing documents that ensure the achievement of the TC's objectives.
- 6.2 Another risk is related to the individual or company consultants undertaking the actions under each component and underdelivering or not meeting expectations. This risk is

prevented and minimized through a competitive selection process in inviting bids from proven consulting firms and individuals with experience in the topics

VII. Environmental and Social Classification

7.1 The ESG classification for this operation is "undefined".