

## TECHNICAL COOPERATION (TC) DOCUMENT

### I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ 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; Aramburu Munoz-Najar, Romina Monica (RSM/SEG) Alternate Team Leader; Mckee, Colin (RSM/SEG) Alternate Team Leader; Greco, Maria Sofia (LEG/SGO); Killmer, Annette Bettina (CSD/CSD); Leyva Munoz, Cesar (CSD/CSD); Taveras Marte, Alba (INE/TSP); Todt De Azevedo, Luiz Gabriel (RSM/SEG)
▪ Taxonomy:	Research and Dissemination
▪ Operation Supported by the TC:	N/A
▪ Date of TC Abstract authorization:	11 Jun 2019.
▪ Beneficiary:	Private sector beneficiaries, industry associations and government agencies in the Region
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC Strategic Development Program for Countries(CTY)
▪ IDB Funding Requested:	US\$1,250,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 months
▪ Required start date:	January 1 <sup>st</sup> 2020
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	INE/TSP-Transport
▪ Unit of Disbursement Responsibility:	INE-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. Objectives and Justification of the TC

- 2.1 **Objective.** The principal objective of this TC is to enhance the capacity of public and private stakeholders to manage Environmental and Social (E&S) risks. Through TC resources, IDB can better support projects and markets across three segments –infrastructure, corporates and financial intermediaries (FIs)- to enhance E&S risk management practices and become leading models for future replication.
- 2.2 This TC recognizes that private sector-led growth with inadequate environmental and social safeguards generates negative externalities that leave society worse off. By contrast, companies that innovate and incorporate measures to identify, manage, and engage on environmental and social issues can generate societal and economic value by better mitigating risks, attracting new investment, navigating new regulation, and appealing to consumer interest to buy from sustainable companies. This TC will generate valuable information, insight, lessons, and material for the benefit of beneficiaries, including investment projects, industry associations and government agencies.

- 2.3 **The private sector is a catalyst for sustainable economic growth.** IDB has long valued and supported the role of the private sector in stimulating sustainable economic growth. As change agents, the private sector is a leading actor in research and development, technology innovation, knowledge sharing, skills transfer, and infrastructure development, to name a few, all activities that stimulate growth, jobs, new skills and technological progress. As a development framework, the Sustainable Development Goals (SDG) reinforce the interconnectivity that exists between economic growth, social inclusion and environmental protection, and notably highlight the role of the private sector in delivering against these targets. A report published by the Business and Sustainable Development Commission highlights how achieving the SDG in four key sectors – food and agriculture, cities, energy, and health – would deliver US\$12 trillion in new business opportunities by 2030. Furthermore, financial markets value companies that incorporate environmental and social objectives as pillars of their corporate strategy. Research by the Harvard Business School found that companies that adequately manage Environmental, Social, and Governance (ESG) issues outperform their benchmark by 175 basis points on average. Another study by Nordea Equity Research found that companies with highest ESG ratings outperformed the lowest-rated firms by as much as 40%.
- 2.4 **IDB delivers value through its environmental and social policies.**<sup>1</sup> Beyond tenor and interest rate, IDB delivers value by helping beneficiaries improve their environmental and social management and performance. In working with the private sector, IDB Invest requires and supports its operations in the application of the performance standards on Social and Environmental Sustainability, recognized as the global standard for E&S risk management for the private sector. This standard provides guidance on how to identify and manage risks and impacts as a way of doing business in a sustainable way. Some of the risks and challenges found in private sector projects in the region and that will be targeted through this TC include stakeholder engagement, labor and working conditions, pollution prevention and resource efficiency, community health and safety, resettlement, biodiversity loss, impacts on indigenous people, cultural heritage and E&S management systems. During the due diligence process for projects, IDB identifies the E&S risks and opportunities and designs action plans to address any gaps that can hinder the project's sustainability. The action plan can include studies, guides, management system requirements and tools to enhance E&S performance, which are the subject of this TC. These efforts can propel beneficiaries into becoming local and regional sustainability leaders, helping them to successfully attract other finance and enter new markets thanks to the higher E&S standards applied, while improving their development impact to the communities and environment in which they operate.
- 2.5 **Failure to demonstrate strong E&S management deters investment and slows growth.** Countless examples underscore the financial loss and reputational damage that stem environmental and social crises where lack of adequate controls is partly to blame. The failure of a Brazilian mining tailings dam in January 2019 owned by Vale S.A., one of the world's largest iron ore mining companies, underscores the financial and reputational loss where risks are not adequately managed. The dam break resulted in nearly 300 deaths, financial market loss of 14%, criminal prosecution, and potential fines estimated at US\$7.2 billion. Such losses translated into

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<sup>1</sup> This TC will apply best practice environmental and social standards consistent with the IDB Group's E&S policies. The execution of the TC in due course will take into account the policy updates at the level of IDB and IDB Invest.

macroeconomic impacts as investment moved elsewhere while Brazilian authorities investigated the accident and reviewed the adequacy of safety regulation that governed iron ore operations. Beyond environmental crises, projects can be delayed or halted due to community protest, worker strikes, and NGO opposition. Collectively, project delays result in revenue loss, stranded assets and cost increases, together reducing growth potential.

- 2.6 **The challenge: gaps remain in key projects, sectors and countries.** IDB seeks beneficiaries capable of strong sustainability leadership. Despite strong commitment, however, these operations can occur in a context that is lagging on environment, social and sustainability best practices. This may include voids in regulation, systems, practical guidance or institutional capacity. In signature and high-risk projects, the private sector plays an important role via the adoption of voluntary standards and good practices, delivering environmental and social performance that is compliant with international best practices and valued by customers, investors, regulators, and civil society at large. These instances serve to elevate the standards and enable their adoption at a broader sectoral or country level (i.e., promoting research and knowledge that can support policy or regulatory changes, raising awareness and building capacity through training and creating working groups to establish a dialogue and dissemination). Where IDB has successfully provided support to deliver 'standard-setting' E&S interventions, the potential exists to mobilize an entire sector.
- 2.7 **IDB efforts in Paraguay resulted in a leading regional model for sustainable finance.** In 2012, IDB began a renewed lending program to Paraguayan FIs with the aim to support the continued expansion of the productive sectors (agribusiness, agriculture and livestock) through SME on-lending.<sup>2</sup> Of significant concern were both the reputational risks and biodiversity loss associated with high rates of illegal deforestation in the Paraguayan Chaco associated with the expansion of cattle and soy operations. As a component of IDB lending and together with the Dutch Entrepreneurial Development Bank (FMO)<sup>3</sup>, action plans were agreed that required (i) the formation of a sector wide financial roundtable that would collectively commit to environmental and social management as a component of each FI's lending process; (ii) the development, implementation and socialization of three sector guides for the sectors in question; (iii) use of satellite monitoring to detect illegal deforestation; and (iv) IDB's Safeguard requirement to implement an Environmental and Social management System. Thanks to the aforementioned actions, the *Mesa de Finanzas Sostenible* is today a leading regional example of a sustainability roundtable for the financial sector, a total of 14 FIs have become members all of whom use now use satellite monitoring, and the Central Bank adopted a resolution in November 2018 that guides the financial sector in the incorporation of E&S management. These advances alone have facilitated the ease with which many DFIs are comfortable lending, not to mention other lenders. This example is illustrative of the types of support - roundtables, sector guides, deforestation monitoring systems, and local legislation - all of which collectively enhances public knowledge and capacity in managing environmental and social risks.
- 2.8 **In Argentina, IDB established a good practice guide for the wind energy sector.** Through the private sector financing of wind energy projects under the

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<sup>2</sup> These include IDB-originated operations PR-L1078 (2988/CH-PR,2988A/OC-PR,2990/OC-PR), PR-L1079 (3283A/OC-PR), and PR-L1076 (2944A/OC-PR,2944B/OC-PR). These were originated by the IDB's Structured and Corporate Finance Department.

<sup>3</sup> <https://www.fmo.nl>.

Government-led RenovAr Program, IDB Invest identified the need for specific technical guidance to properly identify and address the impacts of wind energy on biodiversity, which was regulatory gap in the fast-growing sector development. The initiative focused on building awareness and capacity on E&S risks management among private sector developers, provincial and national public sector agencies, and civil society. Two multi-sectoral workshops were held in Buenos Aires focused on strengthening E&S risk management. A final deliverable was a good practice guide for assessing the impacts of wind energy developments on biodiversity (i.e., birds and bats), which was endorsed by the regulator as voluntary guidelines. This example is also illustrative of the types of interventions supporting capacity building, research and dissemination, knowledge products, engagement with regulators and elevating the standards at a sector level in which the IDB Invest can collaborate with IDB for the benefit of member countries. This initiative also serves to support future projects in meeting international standards, facilitating project preparation and accessing international funding.

- 2.9 **Call to action.** Consistent with the TC policy (GN-2470-2), the TC will benefit public and private stakeholders, transferring technical know-how and qualified experience for the purpose of complementing and strengthening national and regional technical capacities thereby contributing to the primary purpose of the Bank: accelerating the process of economic and social development of the borrowing member countries, individually and collectively. The knowledge products generated will inform the development of public goods that help improve public policies implemented by governments and other local development entities. Through this TC, IDB seeks to strengthen the integration of E&S management at the level of: (i) individual private sector operations; and (ii) sector markets and countries by working with private sector companies and public agencies. Borrowing member countries will be the ultimate beneficiaries of a stronger and more sustainable private sector, attracting new talent, technology and investment. Specifically, these activities will benefit public and private stakeholders, transferring technical know-how and qualified experience for the purpose of complementing and strengthening national and regional technical capacities thereby contributing to the primary purpose of the Bank: accelerating the process of economic and social development of the borrowing member countries, individually and collectively. The knowledge products generated will inform the development of public goods that help improve public policies implemented by governments and other local development entities.
- 2.10 **Strategic alignment.** This TC is consistent with the Update to the IDB's Institutional Strategy 2010-2020 (AB 3008) and is aligned with the development challenge of environmental sustainability, as it proposes risk mitigation measures that will allow projects to meet international best-practice E&S standards. Likewise, the TC is aligned with the Sustainable Infrastructure for Competitiveness and Inclusive Growth IDB Infrastructure Strategy (GN-2710-5), by supporting the development of an environmentally sustainable infrastructure. The TC is also aligned with the IDB Sustainable Infrastructure Framework (IDB-TN-1388) as it will support planning, designing, and financing of infrastructure that is economically, financially, socially, environmentally, and institutionally sustainable. It is aligned to the Bank's technical cooperation (TC) policy (GN-2470-2) and will benefit public and private stakeholders, transferring technical know-how and qualified experience for the purpose of complementing and strengthening national and regional technical capacities thereby contributing to the primary purpose of the Bank: accelerating the process of economic and social development of the borrowing member countries, individually and

collectively. The knowledge products generated will inform the development of public goods that help improve public policies implemented by governments and other local development entities. This TC is also aligned with the Ordinary Capital Strategic Development Programs (OC SDPs) for Countries (GN-2819-1), and to its stated objectives: (i) strengthen the technical and managerial capacity of national and/or subnational governments (including decentralized and/or autonomous agencies thereof, and/or state owned enterprises of any such governments) (hereinafter referred to as Public Agencies) in small and vulnerable countries; (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. It is also aligned with current and upcoming IDB Invest Business Plan.

### **III. Description of activities/components and budget**

- 3.1 Component 1: Enhanced E&S risk management in private sector operations.** The objective of this component is to improve the management of environmental and social risks of individual private sector operations through targeted interventions. Emphasis will be given to high risk, strategic or high-profile projects (i.e., infrastructure, corporates and financial intermediaries) following the eligibility criteria described in paragraph 4.2 as private-sector demand arises. It is expected that these operations will influence development outcomes beyond the scale of the project itself, primarily by: (i) serving as a role model or demonstrator effect through sharing the implementation and results of their E&S risk management approaches; (ii) voluntarily elevating the standards for environmental, social, health and safety and labor practices; and (iii) building knowledge and capacity that can be extrapolated. The improved E&S performance at an individual intervention, presents an opportunity for IDB to define new models that generate collective knowledge for future replication by public and private companies, furthering impact in the region. Where possible, an ex-ante evaluation will be sought in order to measure the benefits with relevant Key Performance Indicators (KPIs).
- 3.2** Expected outputs include: (i) technical assessments, evaluations or studies on environmental and social risk management, such as: (a) a biodiversity action plan to ensure proper application of the mitigation hierarchy and offsets; and (b) a resettlement action plan on par with international standards or a cumulative impact assessment requiring coordination and agreement with other project developers; (ii) development of E&S tools, such as Environmental and Social Management System (ESMS), a sustainability plan, a certification plan or technological tools (e.g., GIS-based) to support the implementation of E&S risk management; and (iii) training and dissemination events to management and environmental and social specialists in private sector companies to raise awareness, share knowledge and build capacity within private sector companies on E&S risk management issues.
- 3.3** Expected results are: (i) enhanced E&S risk management identification, planning, implementation and results in alignment with good international industry practice and a continuous improvement approach by key flagship private sector operations that can influence by example at a sector or regional level; and (ii) strengthened commitment, awareness, capacity, knowledge and capabilities within the private sector companies on best practices and standards to tackle E&S risks and the achievement of a leadership position in the market that can influence the sector toward better E&S risk management approaches.

**3.4 Component 2: Enhanced E&S risk management at the sector and country level.**

The objective of this component is to support sector or national/ sub-national agencies in enhancing and mainstreaming environmental and social risk management best practice approaches. Beneficiaries will be selected according to the criteria stated in paragraph 4.2 as demand arises. Activities will be implemented through a collaborative approach with private sector companies, industry associations and public agencies. By working at a sector or national/ sub-national level, the impact of E&S risks management considerations help accelerate sustainable economic growth and development, attracting new investment and delivering spillover effects to beneficiaries in the public and private sectors, as well as the population at large.

- 3.5 Activities under this component include: (i) strategic, regional, sectoral or cumulative environmental and social assessments at a sector or country level; (ii) development of E&S tools, such as an Environmental and Social Management System (ESMS) framework, sustainability strategy, certification roadmap or technological tools (e.g., GIS-based) to support the implementation of E&S risk management at a sector or country level; (iii) sector or country level good practice guide, technical note or paper developed in coordination with local authorities to raise awareness and disseminate E&S risk management practices or standards and support national or sub-national initiatives, priorities or development context; (iv) convening or supporting the creation and establishment of roundtables / working groups comprised of national/subnational agencies, industry associations, and private sector companies to address E&S risk management at a sector level; and (v) training and dissemination events to management and environmental and social specialists in national/sub-national agencies to raise awareness, share knowledge and build capacity on E&S risk management issues at the sector or national/ sub-national level.
- 3.6 Expected results are: (i) strengthened public and private sector institutions' capabilities and knowledge on best practices and standards for E&S risk management at the sector or country level; and (ii) publication and dissemination of knowledge products, tools, and standards to support the improvement of E&S risk management at the sector or country level.
- 3.7 The total budget for this TC is US\$1,250,000 in non-reimbursable resources and is being financed through the CTY - OC Strategic Development Program for Countries. The table below provides an estimated breakdown of the TC budget per component.

**Indicative Budget (US\$)**

Activity/Component	Description	IDB/Fund Funding	Total Funding
1. Enhanced E&S Risk Management in private sector operations	Environmental and social studies, tools, training and events to raise awareness, build capacity and enable private sector operations alignment with E&S risk management best practice that serve a demonstrator effect in the market.	750,000.00	750,000.00
2. Enhanced E&S Risk Management at	Regional or sectorial assessments and knowledge products to promote E&S risk	500,000.00	500,000.00

the sector and country level	management best practice. Training, capacity building and creation of working groups. Knowledge products; tools for private sector projects; tools to promote diversity; high-level meetings and events; design and facilitate workshops; travel and communications		
<b>Total</b>		1,250,000	1,250,000

#### **IV. Executing agency and execution structure**

- 4.1 The execution of this TC will be carried out by the Bank through the Transport Division (INE/TSP) in coordination with CSD/CSD and with the support of IDB Invest, who will advise in the execution of the TC given its strong private sector focus. The IDB (CSD and INE) will provide overall leadership of this TC. The Bank's role as executing agency of this TC is justified because this TC is an initiative of the Bank and under the proposed taxonomy, knowledge and dissemination, the Bank is the Executing Agency and has no counterpart. The Bank has sufficient expertise in the area of environmental and social sustainability, in order to be able to conduct the selection and hiring of quality consulting services.<sup>4</sup> The project team will coordinate closely with IDB's Country Offices.
- 4.2 CSD and INE with support from the Risk Management Department/ Environmental, Social and Governance Division (RSM/SEG) will identify and select eligible project beneficiaries across target sectors (infrastructure, corporates and financial intermediaries). The eligibility criteria that will guide selection of specific interventions 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, (iv) propose solutions, and (v) 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 national or sub-national actors with or without IDB's continuing support.
- 4.3 The Bank will contract individual consultants, consulting firms and non-consulting services in accordance with Bank's current procurement policies and procedures: recruitment of individual consultants, AM-650; contracting of consulting firms for services of an intellectual nature, GN-2765-1 and its operational guidelines OP-1155-4; and procurement of logistics services and purchase of goods, GN-2303-20. Each contract will have specific Terms of Reference (ToRs), which will establish the contents and quantity of reports that the consultants must produce.

#### **V. Major issues**

- 5.1 The main risk of this operation is having low demand for the execution of the TC, either from the private sector operations or the public agencies. The team will engage with beneficiaries that understand the benefits of the TC and show strong commitment for implementation. Where private sector entities seek financial lending, IDB Invest can support in its capacity by incorporating contractual obligations associated to the

<sup>4</sup> OP-619-1 Annex 10 – Criteria for Bank Contracting.

operations. For public sector beneficiaries, IDB will support the achievement of the Country Strategies, where the agencies are aligned.

**VI. Exceptions to Bank policy**

6.1 There are no exceptions to Bank policy.

**VII. Environmental and Social Strategy**

7.1 The TC is not expected to generate negative environmental and social impacts. Therefore, it is expected that its classification will be C, which implies that an environmental and social diagnosis will not be required, in accordance with the Bank's Environment and Safeguards Compliance Policy (OP-703) (see safeguards filters [SSF](#) and [SPF](#)).

**Required Annexes:**

- Annex I. Request from the client (Not applicable)
- [Annex II. Results Matrix](#)
- [Annex III. Terms of Reference](#)
- [Annex IV. Procurement Plan](#)



## Results Matrix

### Outcomes

Outcome: 1 Enhanced E&S Risk Management in private sector operations										
Indicators	Flags*	Unit of Measure	Baseline	Baseline Year	Means of verification		2020	2021	2022	EOP
1.1 Companies with sustainable E&S risk management performance and strengthened capabilities to lead the market and serve a demonstrator effect.		Companies (#)	0.00	2019	Environmental and Social Action Plan (ESAP) status and E&S performance in ASR.	P	2.00	2.00	2.00	6.00
						P(a)	2.00	2.00	2.00	6.00
						A				
Outcome: 2 Enhanced E&S Risk Management at the sector and country level										
Indicators	Flags*	Unit of Measure	Baseline	Baseline Year	Means of verification		2020	2021	2022	EOP
2.1 Instruments of knowledge, guidance, tools, standard setting and technological advancement on E&S risk management.		Instruments (#)	0.00	2019	Publication downloads	P	0.00	2.00	2.00	4.00
						P(a)	0.00	2.00	2.00	4.00
						A				
2.2 Public and private sector institutions with strengthened capabilities and knowledge on best practices and standards for E&S risk management at the sector or country level.							Institutions (#)	0.00	2019	Documented participation of institutions in events and working groups.
	P(a)	10.00	10.00	10.00	30.00					
	A									

CRF Indicator

### Outputs: Annual Physical and Financial Progress

Enhanced E&S Risk Management in private sector operations						Physical Progress					Financial Progress					Theme			Fund			Flags
Outputs	Output Description	Unit of Measure	Baseline	Baseline Year	Means of verification	2020	2021	2022	EOP	2020	2021	2022	EOP	2020	2021	2022	EOP	Theme	Fund	Flags		
1.1 Tools designed/strengthened	Development of E&S tools, such as environmental and social management system (ESMS), sustainability strategy, certification roadmap or	Tools (#)	0	2019	Tools developed	P	1	1	1	3	P	60000	120000	130000	310000	60000	120000	130000	310000	Institutional Development	CTY	
						P(a)	1	1	1	3	P(a)	60000	120000	130000	310000							
						A					A											
1.2 Environmental impact assessment completed	Preparation of technical assessments, evaluations or studies on environmental and social risk management related to private sector operations	Assessments (#)	0	2019	Studies completed	P	1	1	2	4	P	95000	95000	170000	360000	95000	95000	170000	360000	Regional Integration	CTY	
						P(a)	1	1	2	4	P(a)	95000	95000	170000	360000							
						A					A											
1.3 Training workshops delivered	Development, organization and delivery of training and dissemination events to raise awareness, share knowledge and build capacity within the	Workshops (#)	0	2019	Event's agenda, presentation material, attendance list and satisfaction survey.	P	1	1	2	4	P	25000	25000	30000	80000	25000	25000	30000	80000	Institutional Development	CTY	
						P(a)	1	1	2	4	P(a)	25000	25000	30000	80000							
						A					A											
2 Enhanced E&S Risk Management at the sector and country level						Physical Progress					Financial Progress											
Outputs	Output Description	Unit of Measure	Baseline	Baseline Year	Means of verification	2020	2021	2022	EOP	2020	2021	2022	EOP	2020	2021	2022	EOP	Theme	Fund	Flags		
2.1 Environmental impact assessment completed	Strategic, regional, sectoral or cumulative environmental and social assessment at a sector or country level.	Assessments (#)	0	2019	Assessment report	P	0	0	1	1	P	0	25000	110000	135000	0	25000	110000	135000	Regional Integration	CTY	
						P(a)	0	0	1	1	P(a)	0	25000	110000	135000							
						A					A											
2.2 Training workshops delivered	Development, organization and delivery of training and dissemination events to raise awareness, share knowledge and build capacity on E&S risk	Workshops (#)	0	2019	Event's agenda, presentation material, attendance list and satisfaction survey.	P	1	1	1	3	P	50000	50000	65000	165000	50000	50000	65000	165000	Institutional Development	CTY	
						P(a)	1	1	1	3	P(a)	50000	50000	65000	165000							
						A					A											
2.3 Networks/communities of practice established	Convening or supporting the creation and establishment of a roundtable / working group to address E&S risk management at a sector level.	Networks (#)	0	2019	MOU, charter, meeting minutes, list of members/ participants.	P	1	0	1	2	P	25000	0	35000	60000	25000	0	35000	60000	Institutional Development	CTY	
						P(a)	1	0	1	2	P(a)	25000	0	35000	60000							
						A					A											
2.4 Technical notes created	Sector or country level good practice guide, technical note or paper developed in coordination with local authorities to raise awareness and	Notes (#)	0	2019	Published paper, guide, technical note.	P	0	1	1	2	P	0	25000	45000	70000	0	25000	45000	70000	Institutional Development	CTY	
						P(a)	0	1	1	2	P(a)	0	25000	45000	70000							
						A					A											
2.5 Tools designed/strengthened	Development of E&S tools, such as environmental and social management system (ESMS), sustainability strategy, certification roadmap or	Tools (#)	0	2019	Tools developed or strengthened	P	0	1	0	1	P	0	60000	10000	70000	0	60000	10000	70000	Institutional Development	CTY	
						P(a)	0	1	0	1	P(a)	0	60000	10000	70000							
						A					A											

### Other Cost

### Total Cost

	2020	2021	2022	Total Cost
P	\$255,000.00	\$400,000.00	\$595,000.00	\$1,250,000.00
P(a)	\$255,000.00	\$400,000.00	\$595,000.00	\$1,250,000.00
A				

CRF Indicator

Standard Output Indicator



## **TERMS OF REFERENCE - CLIENTS OR PROJECTS**

### **ENHANCED ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT IN PRIVATE SECTOR OPERATIONS**

#### **I. Background and Purpose**

IDB Group has long valued and supported the role of the private sector in stimulating sustainable economic growth. As a development framework, the Sustainable Development Goals (SDG) reinforce the interconnectivity that exists between economic growth, social inclusion and environmental protection, and notably highlight the role of the private sector in delivering against these targets. Furthermore, financial markets value companies that incorporate environmental and social objectives as pillars of their corporate strategy.

Private sector clients approach IDB Group for financing recognizing that beyond tenor and interest rate, IDB delivers value by helping clients to improve their environmental and social management and performance. In working with private-sector clients, IDB Invest requires and supports clients in the application of Performance Standards on Environmental and Social Sustainability, recognized as the global standard for Environmental and Social (E&S) risk management for the private sector. This policy framework provides clients with guidance on how to identify and manage risks and impacts as a way of doing business in a sustainable way, including stakeholder engagement, labor and working conditions, pollution prevention and resource efficiency, community health and safety, resettlement impacts, biodiversity loss, indigenous people, cultural heritage and E&S management systems. In identifying opportunities for improvement, IDB requires companies to implement action plans, which in some instances require specific technical expertise or local knowledge in the environmental and social fields. These efforts can propel clients into becoming local and regional sustainability leaders, helping them to successfully attract other finance and enter new markets thanks to the higher E&S standards applied, while improving their development impact to the communities and environment in which they operate.

#### **II. Objectives**

IDB Group is seeking to hire a firm to develop [WILL SELECT THE APPLICABLE CONSULTING SERVICE(S) FROM BELOW]

- (i) Environmental and social study or assessment [SPECIFY THE TYPE OF STUDY TO BE PREPARED] to address the identification and management of environmental and social risks related to [NAME OF PROJECT/ COMPANY].
- (ii) Environmental and social tool [SPECIFY THE TYPE OF TOOL TO BE PREPARED] to support the implementation of E&S risk management in [NAME OF PROJECT/ COMPANY].
- (iii) Organize, prepare, deliver and document environmental and social [SPECIFY THE TOPIC TO BE ADDRESSED] training and dissemination event to [NAME OF PROJECT/ COMPANY] to raise awareness, share knowledge and build capacity among the relevant stakeholders.

This product should be consistent with the IDB Group Safeguard Policies and the International Finance Corporation (IFC) Performance Standards. The research and knowledge product should help the clients in better decision-making for E&S risk management and serve a demonstrator effect for the sector.

### **III. Key Activities**

Activities include:

- (i) Environmental and social studies or assessments
  - Review available information provided by the client and in the public domain
  - Development of the study plan and methodology
  - Conduct field research
  - Prepare study results, assessment and recommendations
  - Development of a roadmap for client implementation
  - Reporting and dissemination
- (ii) Environmental and social tools
  - Diagnostic of the current status within the company/ operation
  - Development of the strategy and methodology
  - Conduct field research/ interviews (as needed)
  - Development of the tool and testing
  - Prepare roadmap for incorporating the tool by the broader organization
  - Reporting and dissemination
- (iii) Training and dissemination events
  - Conduct meetings to define scope and logistics of the event
  - Development of training material, including the agenda, invitation, registration page, handouts, satisfaction survey, as needed.
  - Delivery of the training or event (includes travel, if needed).
  - Prepare summary of the event's outcomes and road map (as needed).

For all activities, the identification of potential opportunities to increase reach among relevant stakeholders, including public and private sector as well as civil society, will be sought. The opportunities identified shall be prioritized by scalability and replicability.

### **IV. Expected Outcomes and Deliverables**

The expected outcome is to enhance E&S Risk Management in private sector operations. The expected deliverables include: [WILL SELECT THE APPLICABLE CONSULTING SERVICE]

- (i) Environmental and social studies or assessments
  - Output: Preparation of technical assessment, evaluation or study on environmental and social risk management related to private sector operation.
  - Study plan
  - Study or assessment report
  - Roadmap for implementation and identification of opportunities to augment outreach and dissemination with relevant stakeholders.
- (ii) Environmental and social tools
  - Output: Development of E&S tools, such as Environmental and Social Management System (ESMS), sustainability strategy, certification roadmap or technological (e.g., GIS-based) tools to support the implementation of E&S risk management for private sector operations.
  - Tool strategy and methodology
  - Draft and final tool
  - Roadmap for incorporating the tool by the client and identification of opportunities to augment outreach and dissemination with relevant stakeholders.

(iii) **Training and dissemination events**

- Output: Development, organization and delivery of training and dissemination events to raise awareness, share knowledge and build capacity within the private sector operation on E&S risk management issues.
- Training material, including the agenda, invitation, registration page, handouts, satisfaction survey, as needed.
- Summary of the event's outcomes and identification of opportunities to augment outreach and dissemination with relevant stakeholders.

**V. Schedule and Milestones**

To be determined according to specific needs.

**VI. Reporting Requirements**

Consulting firm is expected to provide reports according to the expected outcomes and deliverables specified in Section IV and the schedule and milestones determined in Section V.

Draft reports shall be sent to IDB for review and comments. Firm shall incorporate comments and provide a final report for IDB final acceptance of the work. In addition, firm shall present findings to the hiring team, in person or virtually, depending on location of the firm and in some instances to the beneficiaries.

**VII. Acceptance Criteria**

Deliverables shall be produced in the language required for the specific country (English, Spanish, Portuguese or French). Deliverables should be prepared formats editable by IDB, including MS Word, MS PowerPoint and/or MS Excel, as required, and should be submitted by e-mail in electronic form to the Team Leader and Alternate Team Leader. Zip files will not be accepted as final deliverables, due to Records Management Section regulations. In the event of producing tools that require other specific software (e.g., ArcGIS, AutoCad, or others), this will be specified in the contract to ensure that IDB and its beneficiaries can make use of such tool.

IDB Invest will have the opportunity to provide comments on all the deliverables. The consultant firm will provide draft and final versions of all products. The deliverables and products derived from these terms of reference will be considered acceptable once the comments and feedback given by the Team Leader and Alternate Team Leader are incorporated into the final product.

Deliverable should be submitted on time, based on the agreed upon schedule and milestones described in Section V.

**VIII. Supervision and Reporting**

The consulting firm will report to the Team Leader and Alternate Team Leader through periodic calls and email reporting.

The consulting firm and the project team will hold regular meetings and provide email reports on the progress of the work. All reports, comments and instructions for changes will be approved by the Team Leader and Alternate Team Leader.

It will be the responsibility of the Firm to ensure that such meetings are held, and the reports are submitted to the Bank.

## **IX. Payment Schedule**

The consulting firm will be contracted based on an agreed lump sum that includes all costs of the consultant team, and travel costs if applicable. Payments will be based on the milestones or deliverables of the project. The Bank does not expect to make advance payments under consulting contracts unless a significant amount of travel is required.

Payments will occur in the following manner:

- X% upon signature of the Contract;
- X% upon receipt of deliverable X
- X% upon receipt of deliverable X
- X% upon receipt of deliverable X
- 40% upon receipt and acceptance of all final deliverables

## **TERMS OF REFERENCE – SECTORS OR COUNTRIES**

### **ENHANCED ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT AT THE SECTOR AND COUNTRY LEVEL**

#### **I. Background and Purpose**

IDB Group has long valued and supported the role of the private sector in stimulating sustainable economic growth. As a development framework, the Sustainable Development Goals (SDG) reinforce the interconnectivity that exists between economic growth, social inclusion and environmental protection, and notably highlight the role of the private sector in delivering against these targets. Furthermore, financial markets value companies that incorporate environmental and social objectives as pillars of their corporate strategy.

IDB Group's private sector lending is largely demand driven across three primary business areas; infrastructure, corporate lending (largely in agribusiness and manufacturing), and financial intermediaries including funds and banks. IDB Invest additionally prioritizes investment in small and island (S&I) and C&D countries. Strategically, IDB Invest chooses to work with companies and developers capable of strong sustainability leadership, where through our financing the client can deliver high development outcomes, positive environmental and social impact, and serve as a lasting demonstration effect. Despite strong commitment, however, these operations can occur in a context that is lagging on environment, social and sustainability best practices. This may include voids in regulation, systems, practical guidance or institutional capacity. In signature and high-risk projects, the private sector plays an important role via the adoption of voluntary standards and good practices, delivering environmental and social performance that's compliant with international best practices and valued by customers, investors, regulators, and civil society at large. These instances serve to elevate the standards and enable their adoption at a broader sectoral or country level (i.e., promoting research and knowledge that can support policy or regulatory changes, raising awareness and building capacity through training and creating working groups to establish a dialogue and dissemination).

Where IDB has successfully engaged clients with consultant support to deliver 'standard-setting' E&S interventions, the potential exists to mobilize an entire sector.

#### **II. Objectives**

IDB Group is seeking to hire a consulting individual or firm to develop [WILL SELECT THE APPLICABLE CONSULTING SERVICE(S) FROM BELOW]

- (i) Environmental and social assessment [SPECIFY THE TYPE OF STUDY TO BE PREPARED] to address the identification and management of environmental and social risks related to [DETAIL THE SCOPE OF THE ASSESSMENT SUCH AS A STRATEGIC, REGIONAL, SECTORAL, CUMULATIVE IMPACT ASSESSMENT].
- (ii) Environmental and social tool [SPECIFY THE TYPE OF TOOL TO BE PREPARED such as environmental and social management system (ESMS), sustainability strategy, certification roadmap or technological (e.g., GIS-based) tools] to support the implementation of E&S risk management at a sector or country level in [NAME SECTOR/ COUNTRY].
- (iii) Organize, prepare, deliver and document environmental and social [SPECIFY THE TOPIC TO BE ADDRESSED] training and dissemination event to [NAME SECTOR/ COUNTRY] to raise awareness, share knowledge and build capacity at the sector level.

- (iv) Good practice guide, paper or technical note on [SPECIFY THE TYPE OF PUBLICATION TO BE PREPARED] in coordination with local authorities to raise awareness and disseminate E&S risk management practices or standards and support national or sub-national initiatives, priorities or development context in [NAME SECTOR/ COUNTRY].
- (v) Structure to convene or support the creation and establishment of a roundtable / working group to address E&S risks [SPECIFY THE SCOPE AND PURPOSE OF THE ROUNDTABLE OR WORKING GROUP] in support of [NAME SECTOR/ COUNTRY].

This product should be consistent with the IDB Group Safeguard Policies and the IFC Performance Standards. The research and knowledge product should help the country/ sector in obtaining instruments of knowledge on E&S risk management and strengthen the capabilities of the public and private sector institutions at a sector or country level.

### **III. Key Activities**

Activities include [WILL SELECT FROM BELOW]:

- (i) Environmental and social assessment
  - Review available information from beneficiaries and in the public domain
  - Development of the study plan and methodology
  - Conduct field research, including meetings with relevant stakeholders
  - Prepare study results, assessment and recommendations
  - Development of a roadmap for dissemination
  - Develop the publication
- (ii) Environmental and social tool
  - Diagnostic of the current status within the sector/ country
  - Development of the strategy and methodology
  - Conduct field research/ interviews (as needed)
  - Development of the tool and testing
  - Meetings with beneficiaries
  - Prepare roadmap for implementing the tool at the sector level
  - Support the dissemination efforts and training
- (iii) Training and dissemination event
  - Conduct meetings to define scope and logistics of the event
  - Development of training material, including the agenda, invitation, registration page, handouts, satisfaction survey, as needed.
  - Delivery of the training or event (includes travel, if needed).
  - Prepare summary of the event's outcomes and road map (as needed).
- (iv) Good practice guide, paper or technical note
  - Review available information in the public domain



- Development of the proposed plan and methodology
  - Conduct field research
  - Conduct multi-stakeholder meetings to gather information
  - Prepare technical note
  - Validate technical note
  - Development of a roadmap for dissemination
  - Publish and disseminate
- (v) Convene or support the creation and establishment of a roundtable / working group
- Conduct meetings to define scope and logistics of the event
  - Development a charter and MOU
  - Identify key stakeholders and contact them
  - Convene initial meetings to agree on scope, mechanics and goals
  - Develop a road map for the roundtable or working group
  - Facilitate the initial meetings
  - Provide specific recommendations

For all activities, the identification of potential opportunities to increase reach among relevant stakeholders, including public and private sector as well as civil society, will be sought. The opportunities identified shall be prioritized by scalability and replicability as well as the most relevant sectors and countries of strategic alignment.

#### **IV. Expected Outcomes and Deliverables**

The expected outcome is to enhance the environmental and social risk management at the sector and country level. The deliverables will include:

[WILL SELECT THE APPLICABLE CONSULTING SERVICE]

(i) Environmental and social assessment

- Study plan
- Assessment report
- Roadmap for dissemination with relevant stakeholders.

(ii) Environmental and social tool

- Tool strategy and methodology
- Draft and final tool
- Roadmap for incorporating the tool at a sector level and dissemination

(iii) Training and dissemination event

- Training material, including the agenda, invitation, registration page, handouts, satisfaction survey, as needed.

- Summary of the event's outcomes and identification of opportunities to augment outreach and dissemination with relevant stakeholders.

(iv) Good practice guide, paper or technical note

- Plan and methodology to develop the guide
- Documented stakeholder engagement
- Draft and final technical note
- Roadmap for dissemination
- Publication

(v) Roundtable / working group

- Proposed charter or MOU
- Meeting minutes
- Roadmap for the functioning of the roundtable or working group
- Recommendations for further implementation

## **V. Schedule and Milestones**

To be determined according to specific needs.

## **VI. Reporting Requirements**

Consulting firm is expected to provide reports according to the expected outcomes and deliverables specified in Section IV and the schedule and milestones determined in Section V.

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PROCUREMENT PLAN FOR BANK EXECUTED OPERATIONS													
Country: Regional							Executing Agency: IDB						
Project number: RG-T3496					Title of Project: Enabling projects, clients and markets through improved Environmental and Social Risk Management								
Period covered by the Plan: January 2020 - December 2022					Total Project Amount: \$ 1,250,000								
Component	Procurement Type (1) (2)	Service type (1) (2)	Description	Estimated contract cost (US\$)	Selection Method (2)	Type of Contract	Source of Financing and Percentage			Estimated date of the procurement notice	Estimated contract start date	Estimated contract length	Comments
							IDB		Other External				
							Amount	%	%				
Component 1	A. Consulting services	Consulting Firm (GN-2765)	Environmental and/or social studies Aprox. 4 studies aprox 90K each	\$ 360,000	SCS	Lump Sum	\$ 360,000	100%	0%	1-Jan-20	1-Feb-20	36 months	
Component 1	A. Consulting services	Consulting Firm (GN-2765)	Environmental and/or social tools Aprox. 3 studies aprox 50-100K each	\$ 300,000	SCS	Lump Sum	\$ 300,000	100%	0%	1-Mar-20	1-Apr-20	36 months	
Component 1	A. Consulting services	Consulting Firm (GN-2765)	Dissemination workshops and communication materials. Aprox 4 events \$10-20K each	\$ 75,000	SCS	Lump Sum	\$ 75,000	100%	0%	1-Jun-20	2-Jul-20	18 months	
Component 1	A. Consulting services	Individual Consultant (AM-650)	Editing and translation services	\$ 15,000	IICQ	Lump Sum	\$ 15,000	100%	0%			24 months	
Component 2	A. Consulting services	Consulting Firm (GN-2765)	Environmental and social assessment	\$ 135,000	SCS	Lump Sum	\$ 135,000	100%	0%	1-Jan-21	1-Feb-21		
Component 2	A. Consulting services	Consulting Firm (GN-2765)	Dissemination workshops and communication materials approx 3 events	\$ 160,000	SCS	Lump Sum	\$ 160,000	100%	0%	1-Jan-20	31-Dec-22	36 months	
Component 2	A. Consulting services	Consulting Firm (GN-2765)	Roundtable / Working Group facilitation approx 2 groups \$25K each	\$ 60,000	SCS	Lump Sum	\$ 60,000	100%	0%	1-Jan-20	31-Dec-22	36 months	
Component 2	A. Consulting services	Consulting Firm (GN-2765)	Technical/ Best Practice Publications	\$ 60,000	SCS	Lump Sum	\$ 60,000	100%	0%	1-Jan-20	31-Dec-22	36 months	
Component 2	A. Consulting services	Consulting Firm (GN-2765)	Environmental and Social Tool	\$ 60,000	SCS	Lump Sum	\$ 60,000	100%	0%	1-Jan-21	1-Feb-21		24 months
Component 2	A. Consulting services	Individual Consultant (AM-650)	Editing and translation services	\$ 25,000	IICQ	Lump Sum	\$ 25,000	100%	0%				
Prepared by: Colin McKee (INO/NFP)			TOTALS	\$ 1,250,000			Ttl shd equal project amount		0%				
(2) (i) <b>Individual consultants:</b> ICQ: Individual Consultant Selection Based on Qualifications; SSS: Single Source Selection. Selection process to be done in accordance with AM-650.													
(2) (ii) Consulting firms: Per GN-2765-1, Consulting Firm selection methods for Bank-executed Operations are: Single Source Selection (SSS); Simplified Competitive Selection (<=250K) (SCS); Fully Competitive (>250K) (FCS); and Framework Agreement Task Order (TO). All Consulting Firm selection processes under this policy must use the electronic module in Convergence.													
(2) (iii) Goods: Per GN-2765-1, par. A.2.2.c: "The procurement of goods and related services, except when such goods and related services are necessary to achieve the objectives of the Bank-executed Operational Work and are included in the consulting services contract and represent less than ten percent (10%) of the consulting services contract value."													