**Document of the Inter-American Development Bank**



**Argentina**

**Promoting Risk Mitigation Instruments and Finance for**

**Renewable Energy and Energy Efficiency Investments**

**AR-L1280**

**Environmental and Social MANAGEMENT REPORT**

**(ESMR)**

January 22, 2017

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| **ENVIRONMENTAL AND SOCIAL MANAGEMENT REPORT (ESMR)** | |
| **Operation Name:** | **PROMOTING RISK MITIGATION INSTRUMENTS AND FINANCE FOR RENEWABLE ENERGY AND ENERGY EFFICIENCY INVESTMENTS** |
| **Operation Number:** | AR-L1180 |
| 1. **Operation Details** | |
| **IDB Sector** | IFD/CMF |
| **Type of Operation** | Loan Operation (Financial Intermediary) |
| **Impact Categorization** | B.13 – FI2 |
| **Environmental and Social Risk Rating** | NA |
| **Disaster Risk Rating** | NA |
| **Borrower** | *Banco de Inversión y Comercio Exterior* S.A.(BICE) |
| **Executing Agency** | *Banco de Inversión y Comercio Exterior* S.A.(BICE) |
| **IDB Loan US$ (and total project cost)** | IDB (Green Climate Fund) US$100,000,000[[1]](#footnote-1)  BICE US$60,000,000  Total US$160,000,000 |
| **Applicable Policies/Directives** | OP-102, OP-703 (B1, B2, B3, B5, B6, B7, B10, B11, B13) |
| 1. **Executive Summary** | |
| This operation is a financial intermediation operation, and as such cannot be classified as 'ex-ante', in accordance with the Bank's Directive B.13 of the Environment and Safeguards Compliance Policy (OP-703). In the light of the size of the operation, the nature and magnitude of potential socio-environmental impacts identified for subprojects expected to be financed under this project (small-scale investment projects for energy efficiency), this operation is considered as a medium risk of Financial Intermediation (FI-2).  Only Category B & C subprojects are eligible for financing. No category A subproject according to the IDB classification will be eligible for funding under the project.  *Banco de Inversión y Comercio Exterior* S.A. (BICE) is a public development Bank of the Republic of Argentina, acting as both first and second-tier bank. BICE has started a process to build capacity on the management of environmental and social risks in its portfolio. Some of their staff have been trained on those topics last year in Uruguay, in a course developed by the IDB, ALIDE and the BROU.  BICE has recently piloted an Environmental & Social risks Management System (ESMS), compliant with the World Banks safeguards, for a multi-sectorial credit line to Small and Medium Enterprises (https://www.bice.com.ar/es/banco-mundial/).  The environmental and social due diligence concluded that BICE has the capacity to apply the ESMS designed for this project and manage a portfolio with the environmental and social risks magnitude assessed for this project.  After the due diligence exercise, the project team designed an ad-hoc Environmental and Social Management System (ESMS) to be applied to the project and is confident with BICE capacity to implement it. The ESMS will be based on:   1. The compliance with all applicable environmental, social, health and safety, and labor regulatory requirements of Argentina for BICE, 1st Tier Banks participating in the project and the subprojects financed through this project 2. The appointment of an Environmental and Social Coordinator for the duration of the Project 3. The application of the IDB exclusion list and of an extended exclusion list 4. For Energy Efficiency subprojects, the adoption of a Decommissioning and Disposal Protocol for replaced equipment and materials acceptable to the IDB, to be presented by BICE and approved by the IDB as a condition prior to first disbursement. 5. For co-generation projects, the development of a classification tool. The tool will be based on the IFC Converting Biomass to Energy: A Guide for Developers and Investors and will be in line with the IDB safeguards. It will be presented by BICE and approved by the IDB as a condition prior to first disbursement. Once approved, said tool will be part of the ESMS and annexed to this document. BICE will be responsible to classify the co-generation projects. Only B&C category projects will be eligible for financing. 6. For co-generation category B subprojects, the contracting an external consultancy with resources from Component 1 to realize an Environmental and Social Impact Assessment, and ensure that all subprojects to be financed with resources from the Project comply with the IDB safeguards (including the necessary stakeholders’ consultation - during subproject preparation phase – and according to the IDB guidelines, and the implementation of a subproject grievance mechanism). The first three B category cogeneration subprojects will need no-objection from the IDB. 7. The performance of compulsory site-visits for projects above US$1m (BICE E&S specialist) 8. The implementation of a grievance mechanism by BICE at the project level 9. The presentation by BICE of an Annual Environmental and Social Compliance Report (ESCR)   Those socio-environmental requirements, presented in more detail later in this document, will be included in the Operating regulations (OR) of the Project, whose approval by BICE, prior to the non-objection of the Bank, will be a condition precedent to the first disbursement of the project's resources. | |
| 1. **Operation Description** | |
| The objective of the Project is to contribute to improve the efficiency in the production and use of energy Argentina, by increasing investments in energy efficiency (EE) and power production from renewable energy (RE) sources to reduce GHG emissions. The Project intends to scale up Small and Medium Enterprises (SME) investment in RE and EE by making available medium and long-term financing instruments tailored to meet the specific needs of these subprojects, channeling funds through BICE, a local National Development Bank (NDB) and its network of first-tier local financial intermediaries (LFIs).  The proposed project consists of a single component in the form of an investment loan global credit operation to be executed by BICE. Green Climate Fund (GCF)[[2]](#footnote-2) concessional resources will be channeled by IDB through BICE and blended with BICE’s own resources to provide long-term financing for RE and EE projects by SMEs. Financing may be delivered through first-tier FIs regulated by the Central Bank or directly to projects by BICE[[3]](#footnote-3).    Eligible subprojects will include (a) energy efficiency investments undertaken by SMEs (b) small scale renewable energy projects from SMEs focused on cogeneration projects from waste.  Within the spectrum of those eligible subprojects, the feasibility study identified, among others, the following combination of technologies and sectors with higher potential for credit demand:  - Cogeneration from waste issued from agricultural, commercial forestry, timber/paper, feedlots, pig farms and food processing operations and  - Energy efficiency in energy-intensive industry (chemicals, food processing, dairy and plastics).  For the Energy Efficiency subprojects, the following 5 technologies have been identified and prioritized:   | **Project Type** | **Description** | **Technological improvement** | | --- | --- | --- | | Solar water heaters | Substitution of old water heating systems with solar water heaters allowing the reduction of energy consumption and/or fossil fuel consumption |  | | Air conditioning | Substitution of old air-conditioning equipment with new energy efficient equipment that contain efficient, less polluting refrigerants (and no substances with high Ozone Depletion Potential) | - compression systems with high grade materials.  - compressors with frequency variation  - improvements in evaporation systems for thermal load management  - electronic expansion valve system  - refrigerant leak detection systems  - efficient, less polluting refrigerants  - dehumidification systems | | Boilers | Replacement of old furnace/ boiler / water heater systems with new equipment consuming less fuel and/or energy. | - gas heat recovery systems  - condensate recovery systems  - completely automated safety and control devices  - continuous monitoring of oxygen and exhaust gases  - efficient fuel burners  - high strength construction and insulation materials | | Refrigeration chambers | Substitution of old equipment with new energy efficient equipment that contain efficient, less polluting refrigerants (and no substances with high Ozone Depletion Potential) | - high efficiency evaporator fans  - high efficiency compression systems  - pressure, temperature, and humidity control systems  - high grade materials for refrigeration doors and insulation  - pre-cooling and ante-chambers for management of air and heat | | Motors | Replacement of old motors with new equipment consuming less fuel and/or energy. | - materials with high magnetic properties  - better quality construction materials  - lamination and gap reduction  - improvements in wire size and materials  - high efficiency cooling systems and fans |   The feasibility study estimated the following indicative expected demand and average sizes of subprojects[[4]](#footnote-4):   | **Technology** | **No. subprojects targeted** | **Average power capacity per plant** | **Average size of subproject (USD)** | | --- | --- | --- | --- | | Cogeneration |  |  |  | | *Pig farms waste* | 449 [954] | 37.07kW | 75,000 | | *Livestock (feedlot) waste* | 20 [43] | 194kW | 700,000 | | *Agroindustry waste* | 168 [357] | 50kW | 175,000 | | *Agricultural waste* | 12 [21] | 2.5MW | 5,000,000 | | Energy efficiency | 598 [1,136] | NA | 69,000 |     The intended beneficiaries of the Project will be small and medium companies (SMEs) that invest in RE and EE projects. An improved efficiency in the use and production of energy will also enable final consumers to benefit from greater and better availability of cleaner energy at competitive prices, and will allow the government to downscale current subsidies for fossil-fuel based generation. Finally, communities should benefit from positive externalities associated to the environmental and economic impacts of the Project. | |
| 1. **Key Impacts, Risks, and Mitigation Measures** | |
| In accordance with (i) the Directive B.13 of the Bank's Environmental and Social Safeguards policy (OP-703), (ii) the size of the project and (iii) the nature and magnitude of potential socio-environmental impacts of the eligible subprojects, the operation is considered as Financial Intermediation category FI-2. | |
| **Assessment Requirements**  OP-703 (Environment and Safeguards Compliance Policy): B.3 (Screening and Classification), B.4 (Other Risk Factors), B.5 (Environmental Assessment and Plans Requirements), and Assessment requirements of OP-710 (Involuntary Resettlement Policy), OP-765 (Indigenous Peoples Policy), OP-761 (Gender Equality in Development Policy), and OP-704 (Disaster Risk Management Policy) as applicable | |
| Following the Bank's guidelines and taking into account the characteristics of the project, the project team identified the potential negative impacts of the eligible subprojects and their main mitigation measures and evaluated the capacity that BICE would have to manage these risks in compliance with the IDB safeguards. | |
| **Consultation**  OP-703 (Environment and Safeguards Compliance Policy): B.6 (Consultation); and Consultation requirements of OP-710 (Involuntary Resettlement Policy), OP-765 (Indigenous Peoples Policy), OP-761 (Gender Equality in Development Policy), and OP-704 (Disaster Risk Management Policy) as applicable | |
| * Only Cat B&C subprojects are eligible for financing. * No subproject level public consultation will be required for C subprojects. * For Category B subprojects, an external consultancy will be contracted, with resources from Component 1 to realize an Environmental and Social Impact Assessment, and ensure that all subprojects to be financed with resources from the Project comply with the IDB safeguards. That will include the necessary stakeholders’ consultation - during subproject preparation phase – and according to the IDB guidelines, and the implementation of a subproject grievance mechanism. * At the project level, consultations have been held with government officers, executing agency (BICE), commercial banks and technology providers to understand investment and financing challenges, in order to define the relevance of seeking GCF support and the relevant financial instruments and technical cooperation activities and to fine-tune the project design. * BICE has a general information request system in place: <https://www.bice.com.ar/es/contacto/> and will also implement a grievance mechanism at the project level. | |
| **Information Disclosure**  OP-703 (Environment and Safeguards Compliance Policy): B.5 (Environmental Assessment and Plan Requirements) and Information Disclosure requirements of OP-710 (Involuntary Resettlement Policy), OP˗765 (Indigenous Peoples Policy), OP-761 (Gender Equality in Development Policy), and OP-704 (Disaster Risk Management Policy) as applicable;  OP-102 (Access to Information Policy) | |
| The IDB will publish the project documents in compliance with OP-102. For Category B projects, the Environmental Impact Assessment will be published as per OP-102 requirement, on BICE and/or the sub-borrower website. | |
| **Environmental and Social Impacts and Risks and Mitigation Measures**  OP-703 (Environment and Safeguards Compliance Policy): B5 (Environmental Assessment Requirements), B8 (Transboundary Impacts), B9 (Natural Habitats and Cultural Sites), B10 (Hazardous Materials), B11 (Pollution Prevention and Abatement), and B12 (Projects Under Construction)  OP-710 (Involuntary Resettlement Policy)  OP-765 (Indigenous Peoples Policy)  OP-704 (Disaster Risk Management Policy)  OP-761 (Gender Equality in Development Policy) | |
| **Energy Efficiency projects**: those projects consist in the financing of replacement of old equipment for new – more energy efficient – equipment. They happen in existing small-scale operations (SMEs) and do not involve green field project. It is expected that the substitution of old technologies and equipment for new ones through the adoption of EE measures will result in energy savings and hence will have a positive impact on the environment and climate change by reducing GHG and other emissions. However, this type of project could have reduced benefits and/or limited adverse impacts on the environment if the substituted units are not withdrawn from circulation and are not properly disposed. The project stipulates that replaced old equipment should be properly decommissioned and disposed to avoid GHG emissions leakages.  The potential negative E&S impacts of the different types of EE projects are described below:   | Project Type | Description | Associated Waste | Management | Associated costs and revenues | Potential environmental and social risks and impacts before management | | --- | --- | --- | --- | --- | --- | | Solar water heaters | Substitution of old water heating systems with solar water heaters allowing the reduction of energy consumption and/or fossil fuel consumption | Scrap | Decommission (based on a Decommissioning and Disposal Protocol) | Costs of disassembling and shipping. | Soil contamination and reduced solid waste storage capacity in sanitary landfills | | Air conditioning | Substitution of old air-conditioning equipment with new energy efficient equipment that contain efficient, less polluting refrigerants (and no substances with high Ozone Depletion Potential) | Hazardous waste: ozone depleting substances (HCFC, CFC), and scrap | Final disposal of CFC or HCFC and commercialization of scrap | Costs of treatment by competent and approved third party | Release of ozone depleting substances to the atmosphere | | Boilers | Replacement of old furnace/ boiler / water heater systems with new equipment consuming less fuel and/or energy. | Scrap | Decommission (based on a Decommissioning and Disposal Protocol) | Costs of disassembling and shipping. | Soil contamination and reduced solid waste storage capacity in sanitary landfills | | Refrigeration chambers | Substitution of old equipment with new energy efficient equipment that contain efficient, less polluting refrigerants (and no substances with high Ozone Depletion Potential) | Hazardous waste: ozone depleting substances (HCFC, CFC), and scrap | Final disposal of CFC or HCFC and commercialization of scrap | Costs of treatment by competent and approved third party | Release of ozone depleting substances to the atmosphere | | Motors | Replacement of old motors with new equipment consuming less fuel and/or energy. | Scrap | Decommission (based on a Decommissioning and Disposal Protocol) | Costs of disassembling and shipping. | Soil contamination and reduced solid waste storage capacity in sanitary landfills |   A Decommissioning and Disposal protocol will be designed and implemented during the project implementation phase. The protocol will be based on the following principles:   * Replaced equipment will have to be handled in a technically appropriate manner to ensure that its disposal is (i) final, (ii) undertaken in accordance with all relevant national regulations and (iii) undertaken with the assistance of national licensed or certified waste management service provider. * The Project verification scheme will include verification of compliance with the Project Decommissioning and Disposal Protocol. * If for any reason a Project beneficiary fails to decommission and dispose any substituted equipment according to the Project Decommissioning and Disposal Protocol, it will be forced to repay the loan immediately and may be subject to regulatory sanctions as established in relevant laws and regulations of the country.   **Co-generation projects**: The identified subprojects are small scale (2.5MW in average) and using secondary fuel sources only, more specifically agricultural waste from an existing operation. Eligibility criteria would require subprojects to only use agricultural waste and to be calibrated to run mainly on the existing operation waste production. None of the subprojects would include land acquisition for extension of the biomass production. The feasibility study did confirm that for small scale subprojects, the purchase of external fuel would drastically hamper the economic viability of the projects, those projects will therefore only use waste biomass from existing operations.  Biomass subprojects in general may generate a number of adverse environmental impacts on air and soil quality, biodiversity, water, land and a number of social impacts on employment, economy and food security. These impacts are mainly from fuel sources, the operation of the power plant, and from the associated facilities. The small-scale subprojects targeted in this Project have limited potential negative impacts since the co˗generation facilities will be installed within existing industrial plants, use biomass residues and will not use fuel sourced from biomass plantations.   * Land and Biodiversity: the subprojects targeted would have no negative impact on land and biodiversity as only the use of secondary resources is eligible. * Water: the subprojects targeted do not involve additional production of biomass and therefore there would not be any increased use of groundwater. The financed operations would follow the Argentinian regulation, hence avoiding any impact on water quality through discharge of wastewater. Liquid effluents in this type of operation is in any case very limited. * Air quality: the financed operations will comply with the Argentinian regulation. And the transport of resources should be minimal. * Social impacts: the subprojects use secondary resources e.g. agricultural waste that had no previous use. There should be no impact on communities for land use, source of income, or food security. The subprojects could generate employment even if not in major number and the generation of clean energy definitely benefits the larger populations.   Therefore, the only potential environmental risk could come from the subproject procedures for acquisition of additional waste, beyond the facility own waste, in those exceptional cases when additional supply is necessary. The project will aim to ensure that (i) those cases are exceptional, and that the co-generation plant is calibrated to run on the facility’s own waste, (ii) nothing else than agricultural waste is used. Specific environmental and social requirements will be imposed for those few subprojects (see below) in order to mitigate these risks and ensure traceability of the waste supply in those exceptional cases, if any.  Due to the nature of the investments to be financed under the project (see above) and its main beneficiaries, particularly existing small- and medium-sized enterprises, negative environmental and social impacts from the facilities other than those described above are not foreseen. All subprojects eligible to the project are classified as B or C, the project will involve the development of a specific classification tool for cogeneration projects in order to make sure only B& C projects are financed and specific external support for the environmental & social impact assessment of category B projects in order to make sure they comply with IDB safeguards (see below Mitigation Measures). | |
| **Noninvestment Lending and Flexible Lending Instruments**  OP-703 (Environment and Safeguards Compliance Policy): B.13 (Noninvestment Lending and Flexible Lending Instruments) | |
| Following the Bank's guidelines and taking into account the characteristics of the project, the project team identified the potential negative impacts of the eligible subprojects and their main mitigation measures and evaluated the capacity that BICE would have to manage these risks in compliance with the IDB safeguards.  Only subprojects of category B&C will be eligible to financing with resources from this project.  BICE has started a process to build capacity on the management of environmental and social risks in its portfolio. Some of their staff have been trained on those topics last year in Uruguay, in a course developed by the IDB, ALIDE and the BROU.  BICE has recently piloted an ESMS, compliant with the World Banks safeguards, for a multi-sectorial credit line to Small and Medium Enterprises (<https://www.bice.com.ar/es/banco-mundial/>).  The environmental and social due diligence concluded that BICE has the capacity to apply the ESMS and manage a portfolio with the environmental and social risks magnitude assessed for this Project.  BICE will appoint an Environmental and Social Coordinator for the duration of the Project who will be responsible for the application of this ESMS.  Furthermore, trainings on this ESMS will also be provided to the participant LFIs. | |
| **Livelihoods and Resettlement**  OP-710 (Involuntary Resettlement Policy) | |
| * not triggered | |
| **Indigenous Peoples**  OP-765 (Indigenous Peoples Policy) | |
| * not triggered | |
| **Gender Equality**  OP-761 (Gender Equality in Development Policy) | |
| * In compliance with the preventive action part of Policy OP-761, the project team concluded that policy OP-761 is not activated since no gender based adverse impacts were identified | |
| **Disaster Risk Management**  OP-704 (Disaster Risk Management Policy) | |
| * not triggered | |
| **Supervision**  OP-703 (Environment and Safeguards Compliance Policy): B.5 (Environmental Assessment and Plans Requirements) and B.7 (Supervision and Compliance)  OP-710 (Involuntary Resettlement Policy)  OP-765 (Indigenous Peoples Policy)  OP-704 (Disaster Risk Management Policy)  OP-761 (Gender Equality in Development Policy) | |
| BICE will present an Annual Environmental and Social Compliance Report (ESCR) with information on the portfolio of subprojects financed with resources from the project and any particular risk issues identified, mitigation measures agreed with clients as well as compliance status.  The IDB will supervise the ESHS and labor aspects related to the use of the proceeds of the project, as necessary either by an IDB in-house specialist or with external consultants, hired by the IDB. To this end, BICE will provide and facilitate access by IDB to all relevant documentation, personnel and subprojects facilities.  If necessary, IDB and BICE will agree on corrective actions or measures necessary to address impacts and risks and/or to enhance their management. | |
| 1. **Environmental and Social Requirements** | |
| In order to meet the requirements of the Bank’s Environmental and Social Safeguard Policies, BICE will comply to the satisfaction of the Bank with the ESHS contractual terms and conditions set forth in Annex B. These terms and conditions can only be modified with the prior written consent of the Bank, including clearance by ESG. These conditions and definitions will be incorporated into the Loan Agreement and as such the Borrower is legally bound to comply with these conditions.  For this Project, and within the framework of eligibility requirements established for the subprojects in agreement with IDB, the Bank will contractually require BICE to manage the Project taking into consideration the following:   1. The subprojects shall comply with all applicable environmental, social, health and safety, and labor regulatory requirements of Argentina. 2. BICE will confirm that LFIs participating in the Project and the subprojects financed through this Project comply with all applicable environmental, social, health and safety, and labor regulatory requirements of Argentina. 3. To strengthen its capacity to discharge its environmental and social responsibilities, BICE will appoint an Environmental and Social Coordinator for the duration of the Project. 4. The IDB exclusion list will be Integrated into the loan approval process (see Annex C). It is worth noting that this list excludes, among others, subprojects that: (i) involve involuntary resettlement of people; (ii) have a potentially adverse social impact on communities and/or indigenous peoples; and (iii) involve conversion or degradation of critical natural habitats or cultural sites. 5. For energy efficiency subprojects, the subproject shall adopt and implement a Decommissioning and Disposal Protocol for replaced equipment and materials acceptable to the IDB, to be presented by BICE and approved by the IDB as a condition prior to first disbursement. The protocol must ensure that any equipment replaced is not reused and is appropriately disposed. It will include the necessary description of each party responsibility. Once approved, said Protocol will be part of this ESMR and as such will apply to BICE, the participating LFI and each respective subproject proponent as pertinent to their respective responsibilities. 6. For co-generation subprojects, a subproject risk classification tool will be developed. The tool will be based on the IFC Converting Biomass to Energy: A Guide for Developers and Investors and will be in line with the IDB safeguards. It will be presented by BICE and approved by the IDB as a condition prior to first disbursement. Once approved, said tool will be part of this ESMR. BICE will be responsible to classify the co-generation subprojects. Only B&C category subprojects will be eligible for financing. 7. For co-generation category B subprojects, an external consultancy will be contracted with resources from Component 1 to realize an Environmental and Social Impact Assessment, and ensure that all subprojects to be financed with resources from the Project comply with the IDB safeguards (including the necessary stakeholders’ consultation - during subproject preparation phase – and according to the IDB guidelines, and the implementation of a subproject grievance mechanism). The first three B category cogeneration subprojects will need no-objection from the IDB. 8. BICE shall perform compulsory site-visits for subprojects above US$1m (E&S coordinator) 9. BICE shall implement a grievance mechanism at the Project level. 10. For Category B subprojects, the subproject proponents shall implement a grievance mechanism at the subproject level. 11. BICE shall provide an Annual Environmental and Social Compliance Report (ESCR) with information on the guaranteed portfolio and any particular risk issues identified, mitigation measures agreed with clients as well as compliance status.   The IDB will supervise the ESHS and labor aspects related to the use of the proceeds of the Project, as necessary either by an IDB in-house specialist or with external consultants, hired by the IDB. To this end, BICE will provide and facilitate access by IDB to all relevant documentation, personnel and subprojects facilities. If necessary, IDB and BICE will agree on corrective actions or measures necessary to address impacts and risks and/or to enhance their management. | |
| 1. **Summary of Compliance with IDB Safeguard Policies** | |
| See Annex A. | |

**Annex A. Summary of Compliance with IDB Safeguard Policies[[5]](#footnote-5)**

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| --- | --- | --- | --- | --- |
| **Policies / Directives** | **Applicable Policy / Directive Aspect** | **Compliance Status and Rationale with Policy / Directive Requirements** | | **Requirements / Actions / Plans** |
| **OP-703 Environment and Safeguards Compliance Policy** | | | | |
| B.2 Country Laws and Regulations | Obtain local  environmental  licenses and  permits | Compliance expected during project execution | | The Bank will require BICE to manage the project according to the following requirements:  1. Comply with all applicable environmental, social, health and safety, and labor regulatory requirements of Argentina.  2. Confirm that the 1st Tier Banks participating in the project and the subprojects financed through this project comply with all applicable environmental, social, health and safety, and labor regulatory requirements of Argentina. |
| B.3 Screening and Classification | Environmental and  social risk  categorization | Compliance expected during project execution | | Only Category B&C project will be eligible for financing. For co-generation projects a classification tool will be developed. The tool will be based on the IFC Converting Biomass to Energy: A Guide for Developers and Investors and will be in line with the IDB safeguards. It will be presented by BICE and approved by the IDB as a condition prior to first disbursement. Once approved, said tool will be part of this ESMR. BICE will be responsible to classify the co-generation projects. Only B&C category projects will be eligible for financing. |
| B.4 Other Risk Factors | NA | | | |
| B.5 Environmental Assessment and Plans Requirements | Assessment of environmental impacts and risks, and mitigation action plans and strategy | Compliance expected during project execution | | Only Category B&C project will be eligible for financing. Category B subprojects require environmental and social impact assessments (ESIA).  For co-generation category B subprojects, an external consultancy will be contracted with resources from Component 1 to realize an Environmental and Social Impact Assessment, and ensure that all subprojects to be financed with resources from the Project comply with the IDB safeguards (including the necessary stakeholders’ consultation - during subproject preparation phase – and according to the IDB guidelines, and the implementation of a subproject grievance mechanism). The first three B category cogeneration subprojects will need no-objection from the IDB. |
| B.5 Social Assessment and Plans Requirements | Assessment of social impacts and risks, and mitigation action plans and strategy | Compliance expected during project execution | | Only Category B&C project will be eligible for financing. Category B subprojects require environmental and social impact assessments (ESIA).  For co-generation category B subprojects, an external consultancy will be contracted with resources from Component 1 to realize an Environmental and Social Impact Assessment, and ensure that all subprojects to be financed with resources from the Project comply with the IDB safeguards. The first three B category cogeneration subprojects will need no-objection from the IDB. |
| B.6 Consultation (including consultation with affected women, indigenous persons, and/or minority groups) | Prior consultation with project-affected communities regarding impacts, risks, and mitigation strategy | Compliance achievable through specific conditions established in legal documentation for actions over a defined period of time. Subprojects and their associated facilities are expected to cause livelihood impacts, among others, that require the participation of affected people and project stakeholders and consultation of ESIAs or ESAs. | | Only Category B&C project will be eligible for financing. Category B subprojects require public consultation during subproject preparation phase.  For co-generation category B subprojects, an external consultancy will be contracted with resources from Component 1 to realize an Environmental and Social Impact Assessment, and ensure that all subprojects to be financed with resources from the Project comply with the IDB safeguards This will include the necessary stakeholders’ consultation - during subproject preparation phase – and according to the IDB guidelines, and the implementation of a subproject grievance mechanism. The first three B category cogeneration subprojects will need no-objection from the IDB. |
| B.7 Supervision and Compliance | Project and subproject supervision and monitoring. | Compliance expected during Project execution | | BICE will ensure that the ESMR requirements apply to participating FIs and subprojects borrowers.  The ESMR includes the following requirement from BICE:  1. To perform compulsory site-visits for projects above US$1m (BICE E&S specialist)  2. To present an Annual Environmental and Social Compliance Report (ESCR) with information on the guaranteed portfolio and any particular risk issues identified, mitigation measures agreed with clients as well as compliance status.  3. To provide and facilitate access by IDB to all relevant documentation, personnel and subprojects facilities.  4. If necessary, to agree with IDB on corrective actions or measures necessary to address impacts and risks and/or to enhance their management. |
| B.8 Transboundary Impacts | NA | | | |
| B.9 Natural Habitats | NA | | | |
| B.9 Invasive Species | NA | | | |
| B.9 Cultural Sites | NA | | | |
| B.10 Hazardous Materials | Avoid impacts associated with production, acquisition, use, and final disposal of hazardous materials | Compliance expected during project execution | Compliance with applicable legislation includes the necessary requirements for the proper management of waste and hazardous waste. BICE only finances projects that comply with the applicable legislation | |
| B.11 Pollution Prevention & Abatement | Reduce or eliminate emissions, including gaseous, liquid, and solid waste | Compliance expected during project execution | | Compliance with applicable legislation includes the necessary requirements for pollution prevention. BICE only finances projects that comply with the applicable legislation |
| B.12 Projects under Construction | Not triggered | | | |
| B.13 Noninvestment Lending and Flexible Lending Instruments | Implement an appropriate and feasible Environmental Management System (EMS) tailored to the particular needs of the operation. | Compliance expected during project execution | | During the Due Diligence process, the project team identified potential negative E&S impacts from eligible subprojects and assessed the executing agency capacity to manage those. As a result, an ESMS was designed and will be included in the Operating Regulations (OR) for the project whose approval by BICE, prior to the non-objection of the Bank, will be a condition precedent to the first disbursement of the project's resources. |
| B.14 Multiple Phase and Repeat Loans | Not triggered | | | |
| B.15 Co-financing Operations | Not triggered | | | |
| B.16 In-Country Systems | Not triggered | | | |
| B.17 Procurement | Not triggered | | | |
| **OP-704 Natural Disaster Risk Management Policy** | | | | |
| A.2 Analysis and management of Type 2 risk scenario | Not triggered | | | |
| A.2 Contingency planning (Emergency response plan, Community health and safety plan, Occupational health and safety plan) |
| **OP-710 Operational Policy on Involuntary Resettlement** | | | | |
| Resettlement Minimization | Not triggered | | | |
| Resettlement Plan Consultations |
| Impoverishment Risk Analysis |
| Resettlement Plan and/or Resettlement Framework Requirement |
| Livelihood Restoration Project Requirement |
| Consent (Indigenous Peoples and other Rural Ethnic Minorities) |
| **OP-765 Operational Policy on Indigenous Peoples** | | | | |
| Sociocultural Evaluation Requirement | Not triggered | | | |
| Good-faith Negotiations and proper documentation |
| Agreement with Affected Indigenous Peoples |
| Indigenous Peoples Compensation, and Development Plan or Framework requirement |
| Discrimination Issues |
| Transborder Impacts |
| Impacts on Isolated Indigenous Peoples |
| **OP-761 Operational Policy on Gender Equality in Development** | | | | |
| Consultation and effective participation of women and men | Not triggered | | | |
| Application of safeguard and risk[[6]](#footnote-6) analysis |
| **OP-102 Access to Information Policy** | | | | |
| Disclosure of relevant Environmental and Social Assessments Prior to Analysis Mission, QRR, OPC and submission of the operation for Board consideration | Disclosure of E&S documents | Compliance expected | | The IDB will publish the project documents in compliance with OP-102. |
| Provisions for Disclosure of Environmental and Social Documents during Project Implementation |  |  | | For B category subprojects financed with resources from the project, the EIA will be published on BICE and/or the sub-borrower website. |

**Annex B. ESHS Legal Requirements**

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| **Provisions to be included in the Operational Manual (“ROP”)**  The following ESHS conditions are required to be fulfilled to the satisfaction of the Bank and will be included in the Operating Regulations (OR) of the project and further in an internal Operating Manual (OM) annexed to the OR, in order to comply with the Bank’s ESHS Safeguard Policies.  BICE shall comply with the following ESHS conditions:   1. Comply with all applicable environmental, social, health and safety, and labor regulatory requirements of Argentina. 2. Confirm that the 1st Tier Banks participating in the project and the subprojects financed through this project comply with all applicable environmental, social, health and safety, and labor regulatory requirements of Argentina. 3. Appoint an Environmental and Social Coordinator for the duration of the project. 4. Integrate the IDB exclusions list (see Annex C) in the sub-loan approval process. It is worth noting that this list excludes – among others – projects that (i) involve involuntary resettlement of people, (ii) have a potentially adverse social impact on communities and/or indigenous peoples, (iii) involve conversion or degradation of critical natural habitats or cultural sites. 5. For Energy Efficiency subprojects, adopt a Decommissioning and Disposal Protocol for replaced equipment and materials acceptable to the IDB, to be presented by BICE and approved by the IDB as a condition prior to first disbursement. The protocol must ensure that any equipment replaced is not reused and is appropriately disposed. It will include the necessary description of each party responsibility. Once approved, said Protocol will be part of this ESMR and as such will apply to BICE, the participating FI and each respective sub-borrower as pertinent to their respective responsibilities. 6. For co-generation projects, develop a classification tool. The tool will be based on the IFC Converting Biomass to Energy: A Guide for Developers and Investors and will be in line with the IDB safeguards. It will be presented by BICE and approved by the IDB as a condition prior to first disbursement. Once approved, said tool will be part of this ESMR. BICE will be responsible to classify the co-generation projects. Only B&C category projects will be eligible for financing. 7. For co-generation category B subprojects, contract an external consultancy with resources from Component 1 to realize an Environmental and Social Impact Assessment, and ensure that all subprojects to be financed with resources from the Project comply with the IDB safeguards (including the necessary stakeholders’ consultation - during subproject preparation phase – and according to the IDB guidelines, and the implementation of a subproject grievance mechanism). The first three B category cogeneration subprojects will need no-objection from the IDB. 8. Perform compulsory site-visits for projects above US$1m (BICE E&S specialist) 9. Implement a grievance mechanism at the project level 10. For Category B subprojects, ensure that the subproject proponent implements a grievance mechanism at the subproject level. 11. For Category B subprojects, ensure that the subproject EIA are published.   For the purposes of monitoring supervision of ESHS compliance, the following requirements shall apply:   1. BICE shall prepare and present to the Bank’s satisfaction, an ESHS Compliance Report (ESCR), in the form and content agreed upon with the Bank, as part of the annual project report.   ii) The IDB will supervise the ESHS and labor aspects related to the use of the proceeds of the project, as necessary either by an IDB in-house specialist or with external consultants, hired by the IDB. To this end, BICE will provide and facilitate access by IDB to all relevant documentation, personnel and subprojects facilities. |

Annex C. Exclusion List

The IDB does not finance projects or companies involved in the production, trade, or use of the products, substances or activities listed below.

* Those that are illegal under host country laws, regulations or ratified international conventions and agreements
* Weapons and ammunitions
* Tobacco[[7]](#footnote-7)
* Gambling, casinos and equivalent enterprises[[8]](#footnote-8)
* Wildlife or wildlife products regulated under Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)[[9]](#footnote-9)
* Radioactive materials[[10]](#footnote-10)
* Unbonded asbestos fibers[[11]](#footnote-11)
* Forestry projects or operations that are not consistent with the Bank’s Environment and Safeguards Compliance Policy[[12]](#footnote-12)
* Polychlorinated biphenyl compounds (PCBs)
* Pharmaceuticals subject to international phase outs or bans[[13]](#footnote-13)
* Pesticides/herbicides subject to international phase outs or bans[[14]](#footnote-14)
* Ozone depleting substances subject to international phase out[[15]](#footnote-15)
* Drift net fishing in the marine environment using nets in excess of 2.5 km. in length
* Transboundary trade in waste or waste products[[16]](#footnote-16), except for non-hazardous waste destined for recycling
* Persistent Organic Pollutants (POPs)[[17]](#footnote-17)
* Non-compliance with workers fundamental principles and rights at work[[18]](#footnote-18)

The Project will also exclude activities that:

* projects that could have significant adverse environmental and social impacts (Category A.)
* involve involuntary resettlement of people
* have a potentially adverse social impact on communities and/or indigenous people
* involve conversion or degradation of critical natural habitats or cultural sites
* have potentially adverse transboundary impacts

1. Formal approval by the GCF is pending and expected to take place at the nineteenth meeting of the GCF Board, planned currently for February/March 2018 [↑](#footnote-ref-1)
2. The GCF provides funding to promote mitigation and adaptation to CC. The IDB is accredited by the GCF to manage these resources, under the terms established in the AMA approved by the IDB Board (GN-2895). The program has Argentina’s National Designated Authority’s non-objection. [↑](#footnote-ref-2)
3. It is expected that direct lending will only be available for loans larger than US$5 million, and that only some of the potential participant RE projects (particularly, biomass) have the potential to be this large. [↑](#footnote-ref-3)
4. This table is indicative for potential market demand. Actual uptake of the financing line depends on several factors including creditworthiness of projects and SMEs. [↑](#footnote-ref-4)
5. Please note that ESG is working on preparing a compliance checklist. [↑](#footnote-ref-5)
6. Risks may include: (i) Unequal access to project benefits/ compensation measures, (ii) Men or women disproportionally affected due to gender factors, (iii) Non˗compliance with applicable legislation related to equality between men and women, (iv) Increased risk of gender-based violence, including sexual exploitation, human trafficking and sexually transmitted diseases, and (v) Disregard of women’s ownership rights. [↑](#footnote-ref-6)
7. This does not apply to project sponsors who are not substantially involved in these activities. “Not substantially involved” means that the activity concerned is ancillary to a project sponsor’s primary operations. [↑](#footnote-ref-7)
8. This does not apply to project sponsors who are not substantially involved in these activities. “Not substantially involved” means that the activity concerned is ancillary to a project sponsor’s primary operations. [↑](#footnote-ref-8)
9. [www.cites.org](http://www.cites.org) [↑](#footnote-ref-9)
10. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where it can be demonstrated that the radioactive source is to be trivial and/or adequately shielded. [↑](#footnote-ref-10)
11. This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is<20%. [↑](#footnote-ref-11)
12. GN-2208-20, Environmental and Safeguards Compliance Policy, dated 19 January 2006, approved by the Board of Executive Directors on 19 January 2006. [↑](#footnote-ref-12)
13. Pharmaceutical products subject to phase outs or bans in United Nations, Banned Products: Consolidated List of Products Whose Consumption and/or Sale Have Been Banned, Withdrawn, Severely Restricted or not Approved by Governments. (Last version 2001, www.who.int/medicines/library/qsm/edm-qsm-2001-3/edm-qsm-2001\_3.pdf) [↑](#footnote-ref-13)
14. Pesticides and herbicides subject to phase outs or bans included in both the Rotterdam Convention (www.pic.int) and the Stockholm Convention (www.pops.int). [↑](#footnote-ref-14)
15. Ozone Depleting Substances (ODSs) are chemical compounds which react with and deplete stratospheric ozone, resulting in the widely publicized ‘ozone holes’. The Montreal Protocol lists ODSs and their target reduction and phase out dates. The chemical compounds regulated by the Montreal Protocol include aerosols, refrigerants, foam blowing agents, solvents, and fire protection agents. (www.unep.org/ozone/montreal.shtml). [↑](#footnote-ref-15)
16. Defined by the Basel Convention (www.basel.int). [↑](#footnote-ref-16)
17. Defined by the International Convention on the reduction and elimination of persistent organic pollutants (POPs) (September 1999) and presently include the pesticides aldrin, chlordane, dieldrin, endrin, heptachlor, mirex, and toxaphene, as well as the industrial chemical chlorobenzene (www.pops.int). [↑](#footnote-ref-17)
18. Fundamental Principles and Rights at Work means (i) freedom of association and the effective recognition of the right to collective bargaining; (ii) prohibition of all forms of forced or compulsory labor; (iii) prohibition of child labor, including without limitation the prohibition of persons under 18 from working in hazardous conditions (which includes construction activities), persons under 18 from working at night, and that persons under 18 be found fit to work via medical examination; and (iv) elimination of discrimination in respect of employment and occupation, where discrimination is defined as any distinction, exclusion or preference based on race, color, sex, religion, political opinion, national extraction, or social origin. (International Labor Organization: www.ilo.org) [↑](#footnote-ref-18)