

Apoyo a FINDETER con un Sistema de Gestión de Riesgos Ambientales y Sociales
Support to FINDETER with an Environmental and Social Risk Management System

Draft TC ABSTRACT

I. Basic project data

- **Country/Region:** Colombia
- **TC Name:** Support to FINDETER for the Design and Implementation of an Environmental and Social Risk Management System
- **TC Number:** CO-T1264
- **Team Leader/Members:** Jose Juan Gomes Lorenzo (ICF/CMF), Team Leader; Alvaro Concha (CCO/CMF), Alternate Team Leader; Maria da Acunha (VPS/ESG), Maria Netto (INE/ECC); Annabella Gaggero (ICF/CMF); Claudia Cardenas Garcia (CAN/CCO); Rodolfo Gastaldi (CAN/CCO); Miozotis Flores (LEG/SGO); Monica Rojas Acuña (CAN/CCO).
- **Type of Non-reimbursable TC Product:** Operational Support.
- **If Operational Support TC, give number and name of Operation Supported by the TC:** CO-L1116, FINDETER - Lending Program for Public Service Providers III
- **Reference to Request¹:** <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36616188>
- **Date of TC Abstract:** 21 December 2011
- **Beneficiary (countries or entities which are the recipient of the technical assistance):** Financiera de Desarrollo Territorial (FINDETER), Colombia.
- **Executing Agency and contact name (Organization or entity responsible for executing the TC Program):** IDB/IFD/CMF, Jose Juan Gomes Lorenzo
- **IDB Funding Requested:** US\$136,000
- **Local counterpart funding, if any:** None
- **Disbursement period (which includes execution period):** 18 months
- **Required start date:** March 1st, 2012.
- **Types of consultants (firm or individual consultants):** Individual consultants.
- **Prepared by Unit:** IFD/CMF
- **Unit of Disbursement Responsibility :** IFD/CMF
- **Included in Country Strategy:** No; **TC included in CPD:** Yes
- **GCI-9 Sector Priority:** The proposed TC is closely related to two institutional priorities of the IDB under the GCI-9. They are: i) institutions for growth / social welfare; and ii) Protecting the Environment and Responding to Climate Change.

II. Objective and Justification

The program's objective is to support the efficient and effective management of environmental and social risks in FINDETER's credit operations and identify any business opportunities arising from the analysis of those risks. The specific objective is to support the development and implementation of an environmental and social risk management system in FINDETER that makes it possible for the institution,

¹ A copy of the Letter of Request, Programming/Portfolio Review Mission Aide Memoire or Report requesting the TC should be submitted with the Abstract.

in the medium term, to: (i) expand the scope of eligibility of sub-projects in new multi-sectoral credit loan with the Bank into larger and/or more environmentally and socially sensitive sub-projects; (ii) enhance its management of environmental and social risk in its full portfolio; (iii) identify potential business opportunities arising from the analysis of those risks; and (iv) count with the required institutional capabilities to become eligible to highly concessional sources of bilateral and multilateral funding for the development of environmental projects geared to get access to green markets, rationalize energy and natural resources use, and prevent the generation of pollutants.

As advanced before, this TC will support the execution of a third operation (CO-L1116), now under preparation, within FINDETER's Conditional Credit Line for Investment Projects (CCLIP) with the Bank (CO-X1003). Like in the previous two loans, the general objective of this third multi-sectoral credit loan is to strengthen regional and local competitiveness, a priority in the Bank's current strategy with the country, through sustainable access to financing for infrastructure and service projects relating to public service delivery. Its purposes will be to: (i) facilitate longer-term maturities for eligible projects with public service providers (PSPs); (ii) sustainably improve their access to financing; (iii) expand the universe of PSPs with access to medium- and long-term commercial financing; and (iv) consolidate the role of FINDETER as Colombia's Bank for infrastructure.

Given the fact that FINDETER provides long-term funding to supervised local commercial banks in order to finance public sector infrastructure sub-projects at the local level, there is the need to assess the potential environmental and social risks of eligible sub-projects in order to ensure the adoption of proper mitigation measures as a pre-condition for their financing.

The proposed TC addresses two different institutional priorities of the IDB under the GCI-9. First, it backs the priority associated with Institutions for Growth and Social Welfare to the extent that it strengthens a credit institution so that it, in turn, is able to promote sustainable private sector growth and development. Secondly, it supports the priority of Protecting the Environment and Responding to Climate Change to the extent that FINDETER's institutional strengthening with an environmental and social risk management system promotes environmental protection within its client base.

III. Description of activities

The project envisions only one component which is the design and implementation of an environmental and social risk management system. The execution of the activities contemplated under this component will be executed in three stages. Stage I, the design of the system, contemplates activities that would deliver the following outputs: the design of the system; the definition of the institutional structure to support it; its operational manuals and data protocols; an assessment of the training needs of its personnel to manage it; and the design of workshops with staff members of FINDETER and its first-tier clients intended to familiarize them with its operation.

Stage II, the implementation stage, includes activities that would deliver the following outputs: possible institutional and contractual agreements with other local and foreign actors that would be required to

implement the system identified; FINDETER's staff to manage the system properly trained; and a pilot program of FINDETER's system with some of its first-tier clients designed and implemented.

Finally, Stage III, the monitoring stage, would involve activities that would result in the following outputs: evaluation of the system following the implementation of the pilot project undertaken; a workshop to share the results of that evaluation completed; proposal of necessary adjustments on the basis of that evaluation developed; system adjusted following the results of the pilot program; and a strategy for the gradual implementation of the system with the rest of FINDETER's first-tier clients developed.

Overall, the expected result of this technical assistance one year after its full implementation is that all of the projects to be funded by FINDETER will be assessed for environmental and social risks through that system.

IV. Budget

The project will require funding for US\$136,000, which would be used to hire the services of experts with international experience on the field.

Indicative Budget

[Additional information on the activities to be carried out in each stage will be presented in the overall terms of reference of the consultant (s)]

Activity/ Component	Description	IDB/Fund Funding	Counterpart Funding	Total Funding
Stage I: Development of the system	During this stage, the consultant and Findeter will work together to develop a proposal for the system, design the institutional structure to support it, prepare the manuals and the necessary data protocols, select and train Findeter personnel, disseminate information of the system among Findeter's first-tier clients, and align internal procedures and information systems to the risk management system.	78,000	0	78,000
Stage II: Implementation of the system	The consultant and Findeter will work together to commit relevant external actors necessary for the operation of the system, train relevant Findeter staff at all levels, implement a pilot program, and organize training and information dissemination workshops with relevant internal and external actors.	35,000	0	35,000
Stage III: Monitoring and evaluation of the system	The consultant and Findeter will work together to evaluate the system three months after the implementation of the pilot, organize a workshop to share the results of that evaluation, and propose necessary adjustments to the system.	23,000	0	23,000
TOTAL		136,000	0	136,000

Counterpart resources from FINDETER would include all the logistical support required to accomplish the different activities envisioned in the program. It is also expected that FINDETER will provide 150, 75 and 50 staff/days, over a period of 6, 4 and 2 months, respectively, in order to support the execution of all the activities envisioned in those three stages.

V. Executing agency and execution structure

Following a formal request of the beneficiary, the executing agency of the project will be the Bank. The authorities of FINDETER based their request on the fact that they do not have enough technical expertise on this area to supervise the work to be carried out by the consultant(s), and that they are not familiar with experts with international experience that could be invited to participate in the procurement process for this contract. Furthermore, given the knowledge and experience that the Bank has in this area in Colombia following its experience with other national development bank (BANCOLDEX), and the fact that the design and implementation of the system is expected to support the execution of the new operation to be approved in 2012, they believe that if the Bank assumes the execution of the proposed project, the aforementioned system will be in an advanced stage of development by the time that the new loan starts its execution.

VI. Project risks and issues

The main risk associated with this project is the limited experience of FINDETER's staff on the assessment and management of environmental and social risks as part of its operational processes, which could end up delaying the execution of this technical assistance project. To mitigate that risk and spearhead the process of institutional strengthening in this area, FINDETER has hired a professional in environmental sciences to coordinate all the work involved in this initiative. In addition, to speed up the induction of the critical personnel that will be in charge of managing and operate the system, FINDETER has agreed to enroll several members of its staff in an online course organized by UNEP-FI on environmental and social risk assessment, an initiative that should facilitate the eventual execution of this technical assistance project. An additional risk is the rejection of the system by some of FINDETER's clients on the basis of perceived higher transaction costs and lack of knowledge on its benefits. To mitigate this risk, this technical assistance effort contemplates training and dissemination of information workshops with the entity's staff and clients in each stage of the execution process, as well as a gradual implementation of the system that would allow for the incorporation of staff and clients' feedback into the reform process.

VII. Environmental and Social Classification

Based on the Environmental and Social Safeguard Filter, the proposed technical assistance has been classified as category C.