

Environmental and Social Classification and Strategy (ESS) Route PY01 - Rutas del Mercosur Consortium - PARAGUAY

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1. Project scope and objective, and IDB Invest participation

In 2025, within the framework of Paraguay's Public-Private Partnership Program (PPP), the Ministry of Public Works and Communications (MOPC) of Paraguay awarded the Rutas del Mercosur Consortium (the "Concessionaire" or the "Client"), formed by Álya Constructora S.A. (Brazil), Semisa Infraestructura S.A. (Argentina), Tecnoedil S.A. Constructora (Paraguay) and Construpar S.A. (Paraguay), a 30-year contract for the design, financing, construction, operation and maintenance of Route PY01 "Mariscal Francisco Solano López" in the Cuatro Mojones – Quindy Section (the "Project"). Route PY01, 382 km long, was built in 1967 to connect the city of Asunción with Encarnación, the latter located on the border with Argentina.

The Project, which will intervene 107.2 km of Route PY 01, includes two variants: one in the municipality of Yaguarón, 8 km long and another in San Roque González de Santa Cruz, 6 km long. For construction purposes, the Project has been divided into three Sections: i) Section 1, 13.1 km long, in which road reconditioning work and the construction of an overpass in the Bernardino Caballero sector will be carried out; ii) Section 2, 47.88 km, where duplication of the road and the construction of: (a) four underpasses at the intersections of Ytororó, Ciudad de Villeta, Itá and Nueva Italia and (b) two bridges at progressives 21+800 (detours to the city of Guarambaré and Ruta Villeta), and 16+700 (detours to the city of Ypané and Ruta Villeta) are planned; and iii) Section 3, 46.22 km and which only includes improvement activities for the current road. The Project crosses the municipalities of Ñemby, San Antonio, Ypané, Guarambaré, Itá, Yaguarón, Paraguari, Carapeguá, San Roque González de Santa Cruz, and Quindy.

The timeframe for the pre-construction and construction phases is 4 years, and for the operation phase, 26. Currently, the Concessionaire is preparing the executive project, a task that is expected to be completed in 11 months. The construction stage in Section 1 is estimated to begin in 2026, while those for Sections 2 and 3 are planned for 2027. Based on these dates, the operation phase would begin in 2029 and last until 2055.

2. Environmental and Social Classification and Strategy

The Project has been preliminarily classified as Category A, in accordance with IDB Invest's Environmental and Social Sustainability Policy (ESSP) because it may generate, among others, the following environmental and social impacts and risks: i) dust and gases; ii) noise from the use of heavy machinery; iii) domestic and industrial waste; iv) possible soil contamination from spills of contaminating material; v) construction waste (excavation material, debris, paper, wood, metal scraps, rags impregnated with grease, etc.); vi) increase in community accidents due to the elimination of pedestrian crossings; vii) soil contamination from interventions within gas stations; viii) impact on water resources; and ix)

resettlement of families due to the release of the right-of-way required for duplication tasks and construction of new accesses. These impacts are expected to be of medium-high intensity. ¹

To date, the Concessionaire is finishing the preparation of an Environmental and Social Impact Assessment ("ESIA"), which will be submitted to the Ministry of Environment and Sustainable Development ("MADES") as part of the process of obtaining the environmental license for the Project. In parallel, the Concessionaire is advancing in the preparation of a cadastre plan and a social action plan for the release of the right-of-way. Based on the information existing to date, based on the pre-cadastre of the bidding stage, the execution of the Project would be affecting 3,429 properties, of which 1,078 would be registering building improvements (685 located within the right-of-way) and have occupants.

The Environmental and Social Due Diligence (ESDD) process will include, among other aspects, interviews with executives from the Concessionaire's key areas (environmental, social and occupational health and safety); will analyze its Environmental and Social Management System (ESMS), including related plans and procedures; and will evaluate any additional environmental, social, health and safety, and labor information related to the Project. As a result of the ESDD, IDB Invest will confirm the Project's categorization, identify any potential compliance gaps with respect to the ESSP, and define an Environmental and Social Action Plan (ESAP) to close such gaps.

Based on the information received and reviewed to date, the Performance Standards (PS) that the Project would be triggering are: PS1: Assessment and Management of Environmental and Social Risks and Impacts; PS2: Labor and Working Conditions; PS3: Resource Efficiency and Pollution Prevention; PS4: Community Health and Safety; and PS5: Land Acquisition and Involuntary Resettlement.

Once the ESDD process is completed, an Environmental and Social Review Summary (ESRS) together with the corresponding ESAP will be prepared and published on this website.

3. Additional Information

For questions about the Project, please contact Rutas del Mercosur:

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For questions and comments to IDB Invest, contact:

Name: IDB Invest Communications Group

Email: requestforinformation@idbinvest.otg

Additionally, and as a last resort, affected communities can access the Independent Consultation and Investigation Mechanism (MICI) of IDB Invest as follows:

Telephone number: +1 (202) 623-3952

Fax number: +1 (202) 312-4057

Address: 1300 New York Ave. NW Washington, DC. USA. 20577

Email: mecanismo@iadb.org or MICI@iadb.org

¹ This process includes socio-property compensation to family units that, to date, are occupying the right-of-way, seeking to significantly improve their living conditions.