

# Supporting environmental and social management systems to promote sustainable infrastructure (D2376)

## Description:

### II. Objectives and Justification of the TC

2.1. The Report of the Independent Experts' Group for the Group of 20 (G20) describes a "now or never moment" in which the pace of sustainable development in all countries—developed and developing—is leaving millions of people behind and is not consistent with achievement of the Sustainable Development Goals (SDGs), nor with the pathways recommended by science for climate change, water, and biodiversity conservation. The report interprets Global Public Goods (GPGs) in a broad sense, focused especially on climate change, the preservation of biodiversity and the global water cycle, and pandemic preparedness and response. The report suggests that investing in these GPGs goes together with addressing closely related transboundary challenges such as conflict and fragility, food security, cyber security, and energy security.

2.2. To advance the G20 report's Triple Agenda, approximately US\$3 trillion per year of additional global financing is needed by 2030, of which US\$1.8 trillion represents additional investments in climate action, mostly in sustainable infrastructure, and US\$1.2 trillion in additional global spending to attain other SDGs. The G20 Road Map Key Actions call for MDBs, by Q1 2024, to set benchmarks for speed and flexibility to provide scalable, low-transaction cost support, based on country-owned transformation platforms and to upgrade knowledge and advisory services for sustainable development. As of December 2021, Latin America, and the Caribbean (LAC) faced a US\$2,220.7 billion infrastructure gap to meet the SDGs. These investments must be increasingly targeted towards low-carbon, sustainable infrastructure projects that ensure economic, financial, social, environmental (including climate resilience), and institutional sustainability.

2.3. The IDBG's Climate Action Plan 2021-2025 states that future climate action at the IDB Group is inextricably linked to the implementation of the IDB's Environmental and Social Policy Framework (ESPF). Indeed, the IDBG's Paris Alignment Implement Approach (PAIA) establishes compliance with the ESPF as a foundation of Paris Alignment. The Climate Action Plan recommends additional development results indicators to measure IDB Group contributions to development results, complementing those indicators in the Corporate Results Framework (2020-2023). The additional indicators include the number of operations supported in applying climate and sustainability tools such as the IDB Group Sustainable Infrastructure Framework. Sustainable infrastructure refers to infrastructure projects that are planned, designed, constructed, operated, and decommissioned in a manner to ensure economic and financial, social, environmental (including climate resilience), and institutional sustainability over the entire life cycle of the project. Sustainable infrastructure investments avoid negative impacts on the environment, enhance the quality of life of local communities, provide for economic growth and productivity, and promote climate-resilient infrastructure assets.

2.4. The ESPF, effective since October 31, 2021, is the principal mechanism through which the Bank applies the environmental and social sustainability criteria of the Sustainable Infrastructure Framework to operations that have entered the project pipeline. The ESPF provides the Bank's clients with leading-edge provisions to tackle environmental and social issues and has become an essential piece of the IDB's broader efforts to contribute to LAC's sustainable development. The ESPF also commits to maximizing sustainable development benefits, in accordance with the "do good beyond do not harm" principle. The IDB requires its Borrowers to not only report on ways in which harms will be avoided, but also consider and report on ways in which project design will enhance both the social and the environmental good. The ESPF and its ten Environmental and Social Performance Standards (ESPS) encapsulate the requirements for environmental and social risk assessment and management that Borrowers must meet, proportionately, for the IDB to support projects.

2.5. **Objective:** In this context, the main objective of this technical cooperation (TC) is to support IDB borrowing member countries in developing sustainable infrastructure by supporting additional environmental, social, and climate change impact and risk assessments and mitigation plans and aligning Borrowers' Environmental and Social Management Systems (ESMS) to the ESPF.

2.6. In the period between November 1, 2021, and October 23, 2023, the ESPF has been applied to 235 loan, grant, and guarantee products that fall within the scope of application of the policy framework. An initial baseline shows that, on average, an estimated US\$50,000 per operation has been required during project preparation to develop additional environmental and social assessments and management plans necessary to meet the requirements of the ESPF. This illustrates that Borrower capacity to meet ESPF requirements may be limited, especially related to topics that are new and not satisfied by country system legislative requirements. These tend to be topics that are addressed in different ways by all ten of the Environmental and Social Performance Standards (ESPS).

2.7. Operations that require additional environmental and social support during project preparation to comply with the ESPF are expected to be concentrated in the following sectors: i) energy; ii) transportation; iii) water and sanitation; iv) rural development; v) urban and housing interventions in vulnerable and/or informal settlements; vi) health; vii) education; among others, and viii) operations with Financial Institutions with a particular concentration on any of the previous sectors. This TC will support the design and/or execution of any loans, grants, and guarantees in these sectors that require additional funding to validate their alignment to the requirements of the ESPF.

### Submitted by:

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### Status:

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### Category:

Operational Support

**Tags:**

climate change environmental and social management systems environmental sustainability impact assessment risk assessment sustainable infrastructure

**Linked Ideas:****Whiteboard:****Team Leader Name**

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**Has the proposal been discussed and authorized by the responsible sector or country department/division, as applicable?**

Yes

**Team Leader Responsible Department**

INE

**Are there specific countries that will directly benefit from your proposal?**

Yes

**Mark the specific countries that will be directly benefited from your proposal?**

Argentina

Bahamas

Barbados

Belize

Bolivia

Brazil

Chile

Colombia

Costa Rica

Dominican Republic

Ecuador

El Salvador

Guatemala

Guyana

Haiti

Honduras

Jamaica

Mexico

Nicaragua

Panama

Paraguay

Peru

Suriname

Trinidad y Tobago

Uruguay

Venezuela

**Where applicable, describe how the proposal aligns with the respective country strategy (for each country selected)  
Does the proposal align to one or more sector frameworks?**

Yes, the proposal aligns with at least one sector framework

**Identify and describe how the proposal aligns to the sector framework(s)**

2.8. Lessons learned from the application of the ESPF and the Bank's Environmental and Safeguards Compliance Policy (Cross-Sectoral Policies 703, 704, 710, 761, and 765, or "OPs") during project preparation illustrate that due diligence and involvement upstream and early in the project cycle, as early as prior to registration results in greater clarity in Borrower understanding of the Bank's environmental and social requirements, creates opportunities to influence project design in order to avoid and minimize impacts and risks, and maximizes the ability of the IDB to "do good beyond do not harm" through adding environmental and social value.

2.9. Further, the IDB's Mainstreaming Action Plan for Environmental and Social Sustainability (2021-2022) states that investing in capacity building for counterparts can increase demand for mainstreaming sustainability. Engaging governments on key policy issues, sharing knowledge, and concentrating on upstream actions in the operational cycle builds country capacity and demand that is aligned to countries' long-term priorities. Providing training activities to personnel in project executing units can increase their capacity to carry out sustainability activities as planned and improve outcomes for all beneficiaries.

2.11. The TC is aligned with the Environmental and Social Policy Framework (2021) with a specific focus on promoting compliance with Environmental and Social Performance Standards 1 through 10, relating to: Environmental and Social Management Systems, Labor and Working Conditions, Resource Efficiency and Pollution Prevention, Community Health, Safety, and Security, Land Acquisition and Involuntary Resettlement, Biodiversity, Conservation and Sustainable Management of Natural Resources, Indigenous Peoples, Cultural Heritage, Gender Equality, and Stakeholder Engagement and Information Disclosure.

2.12. In addition, the TC is aligned with the IDB Group's Climate Change Action Plan 2021-2025 (GN-2848-9) and its Sustainable Infrastructure Framework. As of January 1st, 2023, all new operations are assessed for alignment with the Paris Agreement goals via the implementation of the PAIA. The PAIA establishes that compliance with the ESPF is the foundation for Paris alignment.

**Select the regional challenges and cross-cutting issues to which the proposal aligns to**

Productivity and Innovation

Economic Integration

Climate Change and Environmental Sustainability

Institutional Capacity and Rule of Law

Gender Equality

Diversity

**Justify the alignment to each selection above**

2.10. This technical cooperation is consistent with the Second Update to the Institutional Strategy of the IDB Group (AB-3190-2) and is aligned with the development challenges of: (i) productivity and innovation by promoting knowledge and technology transfer conducive to a more productive and innovative LAC region; and (ii) regional economic integration by helping countries adapt to technological changes in global markets. It is also aligned with the cross-cutting themes of: (i) Gender equality and diversity; (ii) climate change and environmental sustainability; and (iii) institutional capacity and the rule of law, as the outcomes of this TC seek to improve the capacity of Borrower systems in environmental, social, and climate assessment and management, including gender equality. This TC is key in advancing the group's efforts in two of the three priorities, as it (productivity and innovation), (regional economic integration) as a product of the push for sustainable infrastructure. This TC is aligned to all three cross-cutting issues.

**What is the estimated funding that you need in order to implement this proposal?**

400000

**Select the expected outputs of this proposal**

Project Preparation Deliverables (Implementation and Management Plans, Procurement Plans, M&E Plans, etc.)

Project Execution Deliverables (Talleres de Arranque, Supervision Reports, PIU Strengthening, etc.)

Institutional Strengthening Deliverables (Training products, Management Information Systems, etc.)

Upstream strategies, action plans, etc.)

**Are outputs strictly Knowledge Products?**

**Describe the motivation and main question(s) this TC intends to answer.**

**Describe the methodological approach to be used and the type of data (when applicable) which will be used**

**Please specify the type(s) of Knowledge Product (s) this TC encompasses:**

**Please provide a brief description of the output(s) selected above (The number of units planned, and the estimated cost). If you selected others, please specify.**

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

3.1. The TC is structured into two main components:

3.2. **Component 1:** Support to the development of Borrower's Environmental, Social, and Climate Change Risk Assessments and Mitigation Plans (US\$300,000). This component will support the development of environmental, social, and climate change risk assessments and mitigation plans related to new aspects of the ESPF that Borrowers may not currently possess the capacity to develop. This involves developing assessment and mitigation products in areas related to ESPPS1-10 for all operations with significant or moderate impacts as well as operations classified as high and substantial environmental and social risk. Activities may include elements of Environmental and Social Management Systems (ESMS) and assessments and mitigation plans such as Alternatives Analyses, Geospatial Analyses, Cumulative Impact Assessments, Labor Risk Assessments and Management Procedures, Health Impact Assessments, Critical Habitat Assessments, Biodiversity Action Plans, Sociocultural Analyses, Indigenous Peoples Plans, Gender Risk Analyses, and Stakeholder Engagement Plans. Traditionally, when additional environmental, social, and climate change risk studies are required during project preparation that the Borrower or Executing Agency cannot produce, the IDB has provided technical assistance through Bank operational divisions' transactional budgets and/or through technical cooperations for operational support. This component will complement, not replace, such support. **Expected Outputs:** Environmental, Social, and Climate Change Risk Assessments and Mitigation Plans for at least 6 IDB operations.

3.3. **Component 2:** Support to align Borrower Environmental and Social Environmental Management Systems with ESPF requirements (US\$100,000). This component will finance gap assessments and the alignment specifically of Borrower Environmental and Social Technical Specifications with the ESPF. Environmental and social technical specifications describe the minimum requirements for environmental, social, and climate change risk assessment and mitigation that a Borrower must develop and implement as required by relevant national and subnational law. Often, important gaps exist between these requirements and applicable requirements of the ESPF, which can influence project design and execution. **Expected Output:** Gap assessments and alignment recommendations for at least 2 Environmental and Social Technical Specifications of Borrowers or Executing Agencies.

**Outcomes: If the outputs are delivered successfully, what is the change expected (in capacity, knowledge, behavior, etc.)**

**Component 1: Expected Results:** Results of the assessments and mitigation plans are incorporated into project design and construction, leading to more sustainable infrastructure.

**Component 2: Expected Result:** Fewer gaps between Borrower ESMSs and the ESPF, and lower costs associated with fewer additional environmental and social assessments required during project preparation.

**(1) Attachments**

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0 Comments