

**FONPLATA  
SOCIO-ENVIRONMENTAL  
STRATEGY**

**RESOLUTION PRE N°. 47/2016**

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## **Abbreviations and acronyms**

|       |   |
|-------|---|
| ABS   | Abstract  |
| DIGA  | Socio-Environmental Management Guidelines                 |
| ESA   | FONPLATA Socio-Environmental Strategy                     |
| EP    | Project Team  |
| IPY   | Project Inventory   |
| MO    | Operation Manual  |
| OE    | Project Execution Unit                                    |
| PAO   | Annual Operation Plan                                     |
| PO    | Operational Proposition                                   |
| PP    | Project Profile   |
| RP    | Project Manager   |
| SERAS | Socio-Environmental Risk Assessment and Management System |

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## I. INTRODUCTION

- 1.1 FONPLATA acknowledges that the socio-environmental dimension is an important pillar for sustainable and inclusive development which is harmonious with ecosystems within and across the geographical areas of influence of the River Plate Basin and is a foundation for the integration of its member countries. In this sense, this Socio-Environmental Strategy (ESA) formalizes the incorporation of the socio-environmental dimension throughout the project cycle, aimed at identifying and mitigating the different risks associated with the implementation of projects financed by the Fund.
- 1.2 The Fund's environmental policy is based on the institutional, operational, and legal structure of its member countries and the international treaties signed by them. However, and to streamline the operation of this policy, given the heterogeneity of regulations and instruments, FONPLATA enforces this ESA, as a reinforcement to the efforts made by the environmental authorities of the member countries, with the purpose of promoting the sustainability of development actions. To a large extent, the ESA integrates the procedures that have already been applied to the management of project funding and includes the best practices and the experience acquired by other development agencies.

## II. REFERENCE FRAMEWORK

### A. BASIC CRITERIA

- 2.1 FONPLATA's socio-environmental strategy is based on the following basic criteria, set forth in the Fund's Policy:
  - (i) **Compatibility** with the member countries' laws — all the procedures and tools designed by the Fund shall be compatible with the legal mechanisms and instruments in force in the member countries. Projects that do not comply with the legislation shall not be funded.
  - (ii) **Complementarity** with the member countries' laws — all procedures developed and executed with financing from the Fund shall meet and respect the national, federal, provincial and/or state socio-environmental regulations of the member countries. However, additional documents may be requested to ensure compliance with all FONPLATA's policies, principles, and guidelines.
  - (iii) **Prevention** — FONPLATA shall only finance projects in which it is proven that the pertinent socio-environmental precautions have been taken in advance. All operations must include actions to control or mitigate the negative impacts that they may have.
  - (iv) **Environmental management universality** — processes shall be applied to all projects financed by FONPLATA during all stages of the project cycle.
  - (v) **Cost internalization** — every project must be verified to ensure that costs to prevent and mitigate socio-environmental impacts, as well as their benefits, have been incorporated into the budget and, as far as possible, considered in the analyses of their economic and financial feasibility.

## B. GUIDELINES

2.2 The implementation of FONPLATA's ESA shall comply with the following guidelines:

- (i) Develop and update of processes and practices to ensure the adequacy and sustainability of the financed projects.
- (ii) Support the implementation and enforcement of the socio-environmental laws, regulations, and public policies of the member countries.
- (iii) Evaluation of socio-environmental consequences of projects financed by FONPLATA, aiming at incorporating the lessons learned into future operations, thus strengthening the search for sustainable development.

## III. OBJECTIVE AND SCOPE

### A. OBJETIVE

3.1 The objective of this strategy is to strengthen the mission of the Fund by including criteria and tools that incorporate the assessment and management of socio-environmental risks in the project cycle, while contributing to the efforts of countries to achieve sustainability within a framework for the prevention and mitigation of risks and potential conflicts.

#### **FONPLATA's mission**

*To support the integration of the member countries in order to achieve a harmonious and inclusive development within and across the River Plate Basin areas of influence, by helping reduce socioeconomic disparities and favoring the complementarity and synergy of efforts of national development organizations and other development agencies. This shall be accomplished through the implementation of small and medium-sized projects in specific geographic areas, to help one or more countries achieve greater integration at a sub-regional, regional, and global levels.*

### B. SCOPE

3.2 The Fund will seek to achieve the objective by adopting practices that internalize environmental and social issues, both in the design and in the implementation of all the activities carried out by the institution, covering financial and non-financial products, as well as the socio-environmental matters associated with the procurement processes and the management of the Fund's facilities.

3.3 Regarding project financing, the following chapter presents the strategic guidelines for the incorporation and mainstreaming of socio-environmental risk management in the project cycle. To facilitate its implementation, ESA will include a document containing the *Guidelines for Socio-Environmental Management*<sup>1</sup>. Under an adaptive management learning approach for continuous improvement, the Guidelines may be fed back, updated, and optimized based on new experiences on an annual basis.

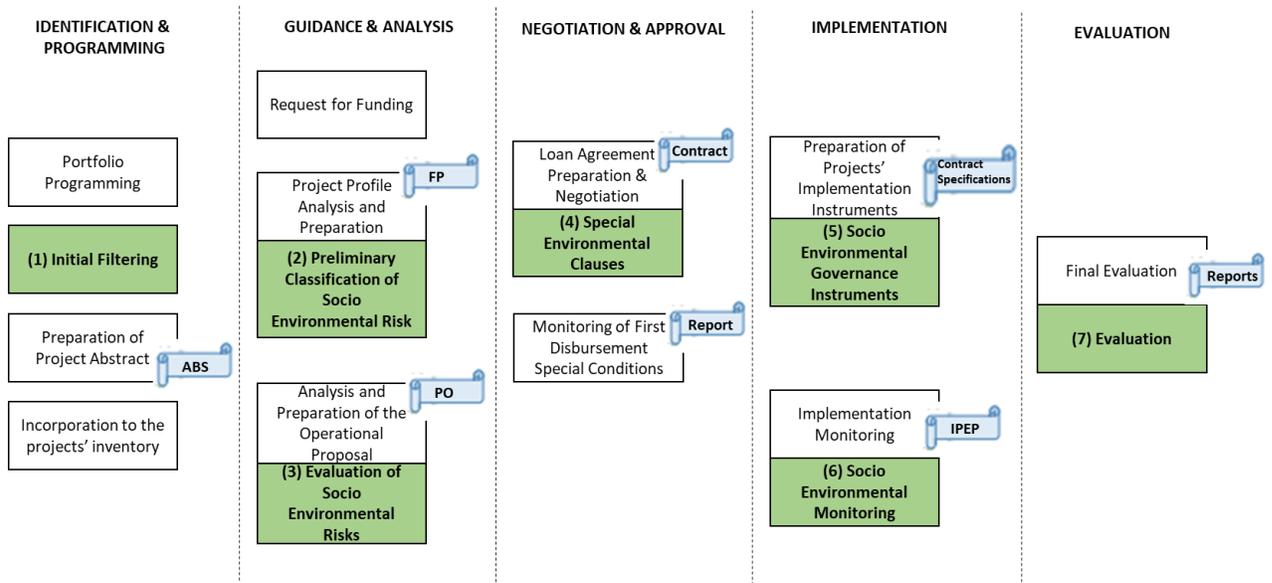
## IV. SOCIO-ENVIRONMENTAL MANAGEMENT IN THE PROJECT CYCLE

4.1 FONPLATA performs the analysis of the socio-environmental risks of the projects

<sup>1</sup> FONPLATA's Socio-Environmental Management Guidelines are part of the operational documents of the Operations Management, and they provide a step-by-step description of the environmental precautionary and management processes and contain an *ad hoc* toolbox to be used in the different stages of the *Socio-environmental Risk Assessment and Management System*.

in seven milestones that cover the project cycle (see chart IV-1). These are recorded in the *Socio-Environmental Risk Assessment and Management System (SERAS)*, described below.

**Chart IV-1 SERAS in the project cycle**



## **A. INITIAL FILTERING**

- 4.2 When a member country expresses interest in obtaining funding for a project<sup>2</sup>, the Fund checks if the project is not included in the exclusion list defined in the Fund's policies<sup>3</sup>. When FONPLATA acts as an intermediary agent, attracting and managing financial resources from other development agencies, the exclusion lists established by them will be considered, if they are different.
- 4.3 The eligibility of the project through the initial filtering is a requirement for the incorporation of the project into the project inventory (IPY) and for the preparation of the abstract (ABS). If the project (in part or as a whole) incorporates activities included in the exclusion list, the funding will be denied, and the reasons shall be informed to the applicant. Otherwise, the next stages will follow. It is worth mentioning that the ineligibility of a transaction due to exclusionary activities may also occur at any stage prior to the approval of the financing, as a result of the risk analysis.

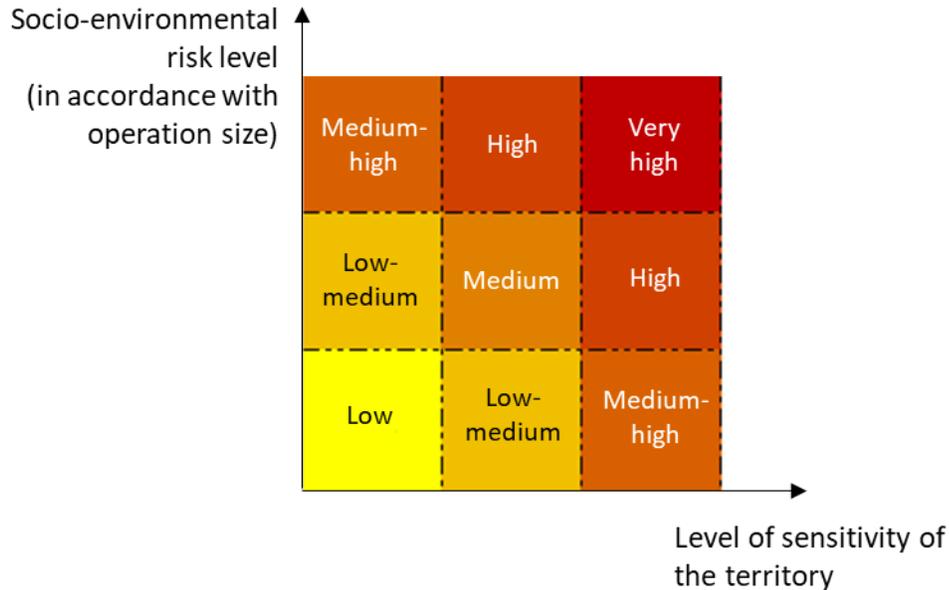
## **B. PRELIMINARY CLASSIFICATION OF SOCIO-ENVIRONMENTAL SENSITIVITY**

- 4.4 It is carried out during the *Guidance phase* of the project cycle, once FONPLATA has received the consultation letter requesting financing from the member country, as part of the preliminary feasibility analysis required for the preparation of the Project Profile (PP).
- 4.5 It consists of a preliminary classification of the project's level of socio-environmental sensitivity according to two criteria: (i) the size and type of project according to sector; and (ii) the socio-environmental sensitivity of the territory where the project will be located (impacts on legally protected sites of high value for the preservation of biodiversity and ecosystem services, indigenous territories and peoples, use of natural resources, involuntary resettlement needs and sites under natural threat).
- 4.6 Chart IV-2 presents the characterization of the different categories of environmental sensitivity considering the socio-environmental risk according to the prioritized criteria.

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<sup>2</sup> Usually during the Fund's triennial country programming exercise, which takes place every year.

<sup>3</sup> The exclusion list of activities ineligible for FONPLATA funding is set forth in the Goods and Services Procurement Policy.

**Chart IV-2**

### **Preliminary socio-environmental risk classification levels**

- 4.7 For projects classified as high, medium-high, or medium socio-environmental sensitivity, FONPLATA may require a specific analysis of environmental sensitivity (if this has not already been considered in the documentation submitted by the member country for analysis, or if the information submitted is insufficient), as a requirement to move on to the analysis stage prior to the approval of the financing<sup>4</sup>.

### **C. SOCIO-ENVIRONMENTAL RISK ANALYSIS AND ASSESSMENT**

- 4.8 It is carried out in the phase of analysis of the project cycle (or previously, if the information is already available). It is a mandatory requirement for projects that have been classified as high, medium-high, or medium socio-environmental sensitivity. It consists of the identification and assessment — in advance — of the socio-environmental consequences of a project not yet implemented, to eliminate, mitigate or compensate for the potential negative environmental impacts and make better use of the expected benefits. It evaluates the socio-environmental management of the project, with respect to different critical sectoral issues and other characteristics of each project and allows to identify the necessary actions to be implemented in the following stages.
- 4.9 Taking into consideration the heterogeneity of some countries' impact classification systems, as well as of environmental licensing processes for the development of projects, it is advisable to manage a standard socio-environmental risk classification. SERAS provides for the classification of impact into the following three categories: **A**-high impact; **B**-medium impact; and **C**-low impact. Namely:

<sup>4</sup> Those projects that are categorized as "of very high socio-environmental sensitivity" will not be subject to financing from the Fund.  
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**A:** Projects with several, irreversible, or unprecedented potential risks and/or significant adverse environmental and social impacts.

**B:** Projects with few potential risks and/or limited environmental and social adverse impacts, which are usually restricted to specific sites, mostly reversible and easily addressed through mitigation measures.

**C:** Projects involving minimal or non-adverse risks and/or environmental and social impacts.

4.10 In line with the standards defined in the Equator Principles<sup>5</sup> and others used by development cooperation agencies, the internal classification of SERAS allows for a comparison between FONPLATA's understanding of risk and that of the legislation of the member countries. Under no circumstances does FONPLATA's classification system replace the classification, procedures, or documentation established and required by the national or subnational authorities of the member countries. Its use is established to facilitate and accelerate the identification of the legal requirements necessary to continue the project, determine the additional documents to be requested, if critical risks are identified, and define the degree of rigor with which the Fund will carry out the analysis and risk management in the next stages.

4.11 The main instruments to be used during this analysis phase are the technical visit (especially for projects with a higher level of risk) and the application of sectoral socio-environmental questionnaires<sup>6</sup>. For projects with a preliminarily assessment of risk/impact level as high, a more detailed study of the operation may be carried out. Such a study may be carried out by the Fund's internal team or through the hiring of specialized external consultants, as required. The results of the analysis phase are reflected in contractual agreements contained in the documents that will regulate the funding operation.

#### **D. CONTRACTUAL ASPECTS**

4.12 For the approval of the Project, and as a result of the feasibility analysis of the operation contained in the Operational Proposition and its technical annexes (PO), there may be special requirements aimed at optimizing socio-environmental performance in the various stages of the project cycle, such as, among others, specific results to be included in the results matrix (with their respective indicators and goals); special conditions to be incorporated into the contract and/or operational documents (e. g., Loan Agreement, Inter-institutional Agreements, Operation Manual — MO, etc.); or other specific documents, authorizations, studies, or special analyses.

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<sup>5</sup> The Equator Principles [http://www.equator-principles.com/resources/equator\\_principles\\_III.pdf](http://www.equator-principles.com/resources/equator_principles_III.pdf)

<sup>6</sup> The details of the sectoral socio-environmental questionnaires are included in the Guidelines for Socio-Environmental Management.  
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## **E. SOCIO-ENVIRONMENTAL GOVERNANCE INSTRUMENTS**

- 4.13 In addition to the contractual agreements, FONPLATA will agree with the Project Execution Unit (OE) on the necessary operational instruments to promote an adequate socio-environmental performance of the projects based on the roles and responsibilities of the different actors involved. Thus, for instance, the MO will establish the specific responsibilities in the project cycle and detail the socio-environmental management plans, including the environmental technical specifications which should be reflected in works contracts, the terms of reference of supervision, inter-institutional agreements, as appropriate. The documentation agreed upon with the OE will be the basis for socio-environmental performance monitoring.

## **F. SOCIO-ENVIRONMENTAL MONITORING**

- 4.14 The socio-environmental performance monitoring is carried out during the operation implementation phase. It consists of verifying, evaluating, and ensuring compliance with the environmental and social clauses contemplated in the contractual commitments of the Loan Agreement, specific results and socio-environmental governance instruments agreed upon with the OE. This monitoring will be performed through periodical reports on the supervision and control of the projects (the frequency of which will be determined according to the risk level of the operation) and may be complemented by direct verifications through visits to the project sites.
- 4.15 If during the Guidance and Analysis phase unforeseen risks are identified as a result of the monitoring, FONPLATA may request from the OE reports and/or special studies, as well as the implementation of the mitigation or compensation measures necessary to reduce the potential impacts.

## **G. EVALUATION**

- 4.16 During implementation, or after completion of the project, it is necessary to make the appropriate adjustment to the identified deviations, and to learn the lessons that will provide a reference for similar projects in the future. As part of the mid-term or final project evaluation, a measurement of the social and environmental performance of the project should be made, based on the specific variables and their indicators, as presented in the results matrix. The results of this evaluation shall form part of the Mid-term Evaluation Report (where required) and the operation Closing Minutes. The final evaluation will be carried out at most between the provisional and final delivery of the works, so that it is possible to recommend and carry out corrective measures in case environmental liabilities are detected as a direct consequence of the project.
- 4.17 From a socio-environmental perspective, the mid-term and final evaluations will focus on:
- (i) The analysis of the socio-environmental performance of the project regarding the degree of achievement of the goals set, the degree of implementation and effectiveness of the measures incorporated in the socio-environmental management plan and the environmental monitoring plans, and the degree of compliance and effectiveness of the socio-environmental responsibilities of the supervision and control of the

project.

- (ii) The evaluation of environmental liabilities arising from the project, as well as recommendations for corrective measures.
- (iii) The systematization of good environmental practices and lessons learned in order to optimize future operations of similar characteristics.
- (iv) The recommendations for improvement in the management of socio-environmental risks in the ongoing project or similar projects.

4.18 For larger and high-risk projects, to be financed by FONPLATA, a specific socio-environmental impact assessment may be carried out, which must be agreed upon in a timely manner with the OE and the Borrower during the negotiation of the project. This study should verify: (i) whether the impacts were of the expected magnitude; (ii) whether the mitigation measures were effective and correctly implemented; and (iii) if environmental impacts not foreseen in the formulation of the project were generated.