

Environmental and Social Review Summary (ESRS)
Las Flores Highway Project – Azul, A-AU,01, Roadway Corridor A, Argentina
Private Secure Road Public Participation Program, Stage 1

Original language of the document: Spanish

1. Summary of the Scope of the Environmental and Social Review

Argentina has important highway infrastructure investment needs. To reduce this deficit, the federal government has initiated a series of reforms aimed at promoting Public-Private Participation (PPP), so that private investors are able to take part in the execution and financing of highway infrastructure projects in the country.

In March 2018, the Inter-American Development Bank (the “IDB”) approved the Argentinian Productive Infrastructure Financial Support Program – AR-L1281 (the “Program”), with the main objective of attracting private investment for the financing of highway infrastructure, providing for that purposes a facility of investment guarantees for up to US\$490 million.

The Secure Highway and Freeway Program (“the Operation”) will benefit from the partial credit guarantee issued by the Program in favor of a public construction trust fund (which will be financed by IDB Invest and commercial banking credits) that once, in place, will provide resources for the partial financing of the Secure Highway and Roadway Network Stage I, proposed by the National Highways Department.

The individual road projects included in the Secure Highway and Roadway Network Stage I, and are located in corridors A,B,C,E,F and Sur (see <https://ppp.vialidad.gob.ar/proyecto-7/>) will be financed by the Operation in two stages: i) the first, consisting of 8 projects, shall be disbursed once the Operation has been approved, the financial closing has been achieved and the prior disbursement conditions have been met; and ii) the second, which included 17 additional projects, will be disbursed once the environmental and social information on each of these projects has been substantially verified in compliance with the requirements contained in the IDB Invest Sustainability Policy.

The Las Flores Highway Project – Azul, A-AU-01, Roadway Corridor A (“the Project”) includes: i) the construction of two new road lanes on the RN No. 3 Highway, in the Las Flores Section – Azul, Section 3: end of Las Flores Bypass – Intersection with RP No. 30, in the Province of Buenos Aires; and ii) the construction of clover-leaf a vial exchanger with RP No.30, with a different level intersection (the RP No. 30 crossing is on a higher level). The Project has an approximate length of 3,180 m. Additional works include a temporary workshop, an asphalt plant and a quarry from where the petrous aggregates for the Project shall be extracted. The works are scheduled for the second quarter of 2019 and will last for approximately 21 months. An Environmental Impact Assessment (EIA), an Environmental Impact Statement (EIS) and a Supplementary Environmental and Social Analysis were produced for the Project in December 2018, January 2018 and March 2019, respectively. The Project was tendered in 2018 and was awarded to the consortium Concesionaria Cruz del Sur S.A. (“Contractor”).

2. Environmental and Social Categorization and Rationale

This Project has been classified as a Category B (medium risk) operation, in accordance with IDB Invest’s Sustainability Policy, since its effects and risks are mainly confined to the project site, are considered

reversible, and manageable through the application of the standard measures to be implemented throughout the Project. The main impacts, which shall occur primarily during the construction phase, include, among others; i) local traffic disruption, ii) dust, emissions and noise, iii) a moderate increase in the possibility of erosion, and iv) the expropriation of land in order to provide the ease of the right-of-way for the road.

3. Environmental and Social Context

Apart from the truck service station and some isolated houses, the Project's corridor noticeably cuts through farmland (mainly hay and corn fields). Along both sides of the corridor there are areas with eucalyptus trees and other plant species that will have to be removed.

Along the route of the Project no protected areas or areas of national importance exist, and no cultural assets have been identified either. On a regional scale, conservation status species were identified, such as the following bird species: Strange-tailed tyrant (*Alectrurus risora*), Pampas Meadowlark (*Leistes defilippii*), Eskimo curlew (*Numenius borealis*), Dot-winged crane (*Porzana spiloptera*) and Saffron-cowled blackbird (*Xanthopsar flavus*).

Along the Project route, there are wired fencing and gates, mid and low voltage lines and a fiberoptic line.

4. Environmental and Social Risks and Impacts and Proposed Mitigation and Compensation Measures

4.1 Assessment and Management of Environmental and Social Risks and Impacts

The Project has an EIA and EIS as well as a Supplementary Environmental and Social Analysis (SESA) to address the IDB Invest requirements. The EIA identifies the typical effects of this kind of project and its mitigation measures, in accordance to what is included in the Roadworks Assessment and Environmental Management Manual (RAEM, Version II), used by the National Highways Department. The EIA has an Environmental Management Plan (EMP) and an Environmental Monitoring Plan specific to the Project. The EIS details the permits and authorizations required for the Project's execution. The SESA identifies, assesses and proposes the management measures to mitigate additional effects to those identified in the EIA and which are needed to comply with the IDB Invest requirements. These include: i) Cumulative impact assessment, ii) verification of potential effects on protected areas or species or areas of national importance, iii) a chance find plan eventual discovery of cultural assets, iv) an additional public participation event, specific to the Project, v) a grievance mechanism, and vi) a Land Acquisition Plan.

The Contractor does not have an environmental and social management system specific to the Project which includes all the components required by the IFC Performance Standard 1: i) Policy, ii) risk and impact identification, iii) management programs, iv) organizational capacity and competence, v) emergency situation preparation and response, vi) social stakeholder participation and vii) monitoring and assessment.

4.2 Labor and Working Conditions

The Project will use local labor for its construction and maintenance. An estimated 85 workers will be required, including 2% female representation (a minimum of 2 women) in administrative, technical, support and assistance positions.

Regarding working conditions, the Project will provide its personnel with: i) accommodation, ii) transport to and from the worksite to their houses, iii) food, either hot meals at each work site or in specific canteens; iv) personal protection equipment (e.g. helmets; gloves; boots; masks; goggles; belts); v) compensatory days for foreign staff - based on distance (1 compensatory day for every 4.5 worked) vi) technical training (equipment operation, soil, granular base and asphalt compacting) and environmental health and safety. The contract must provide separate bathrooms for each gender. The working hours are from Monday to Saturday, 7:00 AM to 6:00 PM with a one-hour break.

The Project will respect the existing Collective Work Agreements and the corresponding labor legislation, which include the policies prohibiting discrimination (including gender), child labor, unpaid and forced labor. Contracts shall be made in accordance with the Construction Workers' Union (UOCRA) agreement, meaning that the paid-by-day personnel will have the corresponding Unemployment Fund Card. Mandatory Life Insurance and Labor Risk Insurance covering all personnel, as demanded by the PPP agreement, shall always be kept up to date.

The EIA does not include a worker grievance mechanism.

4.3 Resource Efficiency and Pollution Prevention

The drinking water required by the Project will be sourced from municipal wells or springs. The petrous aggregates shall be extracted from a province-owned quarry, whose permit is currently being processed by the Department of Mining.

The Project carried out a dispersion model to analyze emissions and air quality and concluded that as it concerns an existing road, the increase in CO₂ emissions is due to the natural increase of the vehicle fleet and its traffic. Overall, this is not a new source that significantly increases existing greenhouse gas levels.

The EIA proposes mitigation measures to manage and to correctly dispose of sewage and waste generated by the construction of the Project, as well as reducing the effects related to the emissions and air quality during the construction stage.

4.4 Community Health, Safety and Security

The effects of the Project on the health and safety of the community are generally limited to the construction stage and include: i) traffic disruption, ii) potential exposure to dust and noise, and iii) a potential increase of traffic accidents.

The Project will be carried out mainly in unpopulated areas, which minimizes the community's exposure to the direct effects of its construction. The implementation of a traffic management plan will secure the proper flow of traffic and help prevent accidents.

4.5 Land Acquisition and Involuntary Resettlement

In order to grant a right of way of up to 120m wide, 34 parcels of land will be affected. As of March 2019, access rights have been obtained for 17 of them (50%). For the remaining 17, an expropriation process is on the way, which is not expected to be complicated because the main land use is agricultural.

The Project will affect five infrastructures, including a small house, a weighbridge and a grain collection plant. These structures are abandoned. At the end of the road section, part of the Las Flores municipal

aerodrome property may also be affected. With regards to the latter, the EIA indicates that prior conversations have been held with the National Civil Aviation Administration, so that any effect on the aerodrome does not interfere with its functionality.

The expropriations are made in compliance with Law 21499 (National Expropriation Law). According to it, once the Project is approved, all the assets that will be affected by the works must be recorded and declared as State Services as provided for in Article 17 of the Constitution. The owner is informed via a telephone call or a Cover Letter. The National Expropriation Court shall carry out an appraisal (property valuation) and inform the owner of the appraisal value through a Valuation Letter. By Law, the result of the appraisal must be increased by 10%. If the owner rejects such appraisal, the court shall reconsider the value and issue a new letter, which shall be definitive. A second rejection will give rise to an expropriation trial. If approved, the agreement is signed, the administrator's referendum validating the agreement is prepared, a bank transfer is made to the owner's account and the property of the land is transferred. The expropriated estate is registered in the name of the National Argentinian State - state assets.

In view of the reduced number of expropriated parcels of land (34), the expropriation process carried out under Argentinian Law 21499, the field data acquired, the positive opinion of the communities and affected parties towards the Project and the absence of indigenous or vulnerable populations in the expropriation areas, the overall effect is considered minimal.

The SESA includes a Land Acquisition Plan that complements the expropriation process to comply with IDB Invest's requirements. For example, the plan includes a mapping of potentially affected parties, an analysis of the economic conditions of the affected parties, an inventory and an appraisal of the assets within the expropriated area, the vulnerability status of the affected parties and a suitable compensation measures proposal.

4.6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

An assessment was carried out to look for the presence of internationally recognized areas of conservational importance (including areas of importance for bird species conservation, AIBSC), but none were found less than 10 km away from the Project.

Both the EIA and the SESA concluded that the potential effect on biodiversity, including protected species and areas, or protected areas of international importance is not significant. However, the region in which the Project is located may contain some important species, such as the bird species *Alectrurus risora*, *Leistes defilippii*, *Numenius borealis*, *Porzana spiloptera*, and *Xanthopsar flavus*. Therefore, the SESA proposes the implementation of preventative actions, including a visit to the affected natural spaces (prior to the construction) to identify the presence of any individual creature or nest, and take the appropriate actions in the case of finding any protected or internationally important species.

Ecosystem services related to the Project have been identified as: crops, livestock grazing lands, erosion control and non-utilitarian biodiversity value. As the Project will cause disturbances on a restricted area, with localized effects on environmental and social components, it is not estimated to cause any significant effects on the ecosystem services.

4.7 Indigenous Peoples

The Project does not affect indigenous communities or areas.

4.8 Cultural Heritage

Both the EIA and SESA conclude that the potential effect of cultural assets is not significant. Nevertheless, the SESA proposes that a Fortuitous Discovery Plan be implemented in line with internationally accepted good practices for the protection of any cultural assets discovered fortuitously during the construction activities.

5. Local Access to Project Documentation

Information on the Project is available locally on the National Highways Department website via the following link: <https://ppp.vialidad.gob.ar/proyecto-7/>.

6. Environmental and Social Action Plan

**Las Flores Highway Project – Azul, A-AU,01, Roadway Corridor A, Argentina
Environmental and Social Action Plan (ESAP)**

| Item No. | Reference | Action | Product / Deliverable | Expected delivery date |
|---|--|--|---|---|
| PS 1: Assessment and Management of Environmental and Social Risks and Impacts | | | | |
| 1.1 | Environmental and Social Management Plan | Develop and implement an Environmental and Social Plan for the Project that includes: i) Policy, ii) risk and impact identification, iii) management programs, iv) organizational capacity and competence, v) emergency preparation and response, vi) social stakeholder participation and vii) monitoring and assessment. The Plan must include the construction and operation stage. | Environmental and Social Plan Document | Prior to first disbursement |
| 1.2 | Additional Public Participation Event | Carry out a public participation event in accordance with IDB Invest's Sustainability Policy. | Event Report | Before presenting the Operation to the Board of Directors |
| 1.3 | Permits | Prepare and keep an updated a monitoring matrix of permits for the Project. | Permit matrix and regular updates. | Before presenting the Operation to the Board of Directors |
| 1.4 | Community Complaints/Grievance Management Mechanism | Develop and Implement a Community Grievance Mechanism | Grievance Mechanism Document and evidence of its implementation. | Prior to first disbursement |
| PS 2: Labor and Working conditions | | | | |
| 2.1 | Worker Complaints/Grievance Management Mechanism | Develop and implement a Worker Grievance Mechanism | Grievance Mechanism Document and evidence of its implementation. | Prior to first disbursement |
| PS 3: Resource Efficiency and Pollution Prevention | | | | |
| 3.1 | Greenhouse gas emission calculation | <ol style="list-style-type: none"> 1. Present an annual forecast of greenhouse gases for each year. 2. Present the annual greenhouse gas figures for each completed year. | <ol style="list-style-type: none"> 1. GHG future forecast 2. GHG figures | <ol style="list-style-type: none"> 1. Annually 2. Annually |
| PS 5: Land Acquisition and Involuntary Resettlement | | | | |
| 5.1 | Acquisition Plan | Develop and implement a Land Acquisition Plan that includes: i) a map of the parties that may potentially be affected; ii) an analysis of the economic conditions of the affected parties, iii) an inventory and appraisal of the assets in the area to be expropriated, iv) a vulnerability status of the affected parties and v) appropriate compensation measures. | Acquisition Plan Document and evidence of its implementation. | Before presenting the Operation to the Board of Directors |
| PS 6: Biodiversity Conservation and sustainable management of living natural resources | | | | |
| 6.1 | Application of Preventive Measures to Address Fortuitous Discoveries of Protected or Internationally Important Species | Visit the affected natural spaces (prior to the construction) to identify the presence of any individuals or nests and take the appropriate actions in the event of discovering any protected or internationally important species. | <ol style="list-style-type: none"> 1. Chance-find protocol for Discoveries of Protected or Internationally Importance Species and evidence of its implementation. 2. Important species inventory. | <ol style="list-style-type: none"> 1. Prior to first disbursement 2. Before the order to proceed. |
| PS 8: Cultural Heritage | | | | |
| 8.1 | Fortuitous Discoveries | Prepare and implement a Chance-find procedure for Fortuitous Discoveries of Cultural Assets | Chance-find procedure and evidence of its implementation. | Prior to first disbursement |