

Environmental and Social Review Summary (ESRS) Hospital Jerovía Leri Frizza Mount Sinai - Paraguay

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1. General Information of the Project and Scope of IDB Invest's Environmental and Social Review

Fernando Leri Frizza (the "Client" or the "Company") intends to build a hospital in Asunción, Paraguay (the "Project"). This entails the construction and operation of "Centro Médico Jerovia", a new tertiary hospital with 175 beds (with the possibility of expanding them to 240) to be located in a 10-hectare site owned by Centro Médico Jerovia in the City of Asunción, Paraguay, with about 44,983 m² of construction works, which will include state-of-the-art technology and equipment. Supplementarily, a new HMO-type company (*empresa de medicina prepaga*) will be created, whose members will receive care at the new hospital. Centro Médico Jerovia, jointly with the Mount Sinai Hospital in New York, will offer world-class healthcare services, infrastructure and equipment, as well as highly-trained and qualified human resources for the care and wellbeing of the population for all the region and Paraguay.

The Environmental and Social Due Diligence (ESDD) for the Project included document review and the preliminary Environmental and Social Impact Assessment of the Project Master Plan (ESIAp), as well as meetings with the Client's technical team, representatives from the community and local authorities. The ESDD also included a visit to the Project's intended construction site.

2. Environmental and Social Categorization and Rationale

The Project has been classified as a Category B operation as per IDB Invest's Environmental and Social Sustainability Policy, since it will likely generate, among other, the following impacts and risks: (i) solid waste production; (ii) noise generation, especially during construction; (iii) dust generation during construction; (iv) risks related to hazardous products handling; (v) water pollution; (vi) road traffic interference; and (vii) risk of worker accidents, among others. These impacts and risks are expected to be of medium-low or low intensity, will be mostly limited to the Project site, are reversible and may be mitigated with standard management measures.

The Performance Standards ("PS") triggered by the Project are: (i) PS1: Assessment and Management of Environmental and Social Risks and Impacts; (ii) PS2: Labor and Working Conditions; (iii) PS3: Resource Efficiency and Pollution Prevention; and (iv) PS4: Community Health, Safety and Security.

3. Environmental and Social Context

3.1 General characteristics of the Project's site

The Project is located in the municipality of Asunción, Paraguay, in an area used for the temporary storage of cargo (mainly vehicles and containers), which is transported to existing ports on the Paraguay riverbanks.

The Project site is owned by the Client and is located in the urban area of the Zeballos Cué neighborhood. At present, the plot holds parking facilities, warehouses, administrative offices, and a soccer field. A stream runs across the northern boundary of the plot and its surrounding area has vegetation characterized by bushes, grass, and a few trees. The surroundings are occupied by homes, industrial and commercial facilities, and parks (San Francisco neighborhood, residential, commercial areas of the Zeballos Cué neighborhood and the Asunción Botanical Garden). The site is accessed via streets Listo Valois and Teniente Segundo A. Monges.

Owing to its closeness to the Paraguay river, the area where the Project will be located is subjected to floods, with recurrence periods of 10 to 15 years and a marked increase as from 2014¹. The most recent floods reached nearly 7 m over the medium river level. However, the Project site itself is located 750 m away from the Paraguay river at a height of almost 90 m over the medium river level.

The Client prepared a Master Plan for the Project and started designing the engineering executive project. Therefore, all the assessment of this ESDD is based on data from the Master Plan and the ESIAp.

3.2 Contextual risks

The main contextual risk identified relates to drug micro-traffic, especially in the San Francisco neighborhood, close to the Project site. This neighborhood is home to about 1,000 families who have been displaced from nearby locations in Asunción (Chacarita neighborhood), which were significantly exposed to the floods caused by the Paraguay river. San Francisco was built by Entidad Binacional Itaipú, in agreement with the Government of Asunción and it has residential units, a hospital, grocery trade areas, leisure areas, infrastructure for elderly care, sporting areas and other facilities. A textile manufacturing facility and a solid waste management unit were established there in order to provide employment to the members of the nearby community. However, despite having been built and equipped, these facilities are not operating due to difficulties to find entrepreneurs willing to use them.

The arrival of the families from Chacarita to San Francisco gave rise to social tension, such as: (i) breakdown of the social networks; (ii) adjustment of the newcomers to the new housing

¹ Aseretto, R.R. "Análisis de los eventos de inundación del río Paraguay en Asunción, teniendo en cuenta los efectos causados por el cambio de uso/cobertura del suelo. Años de estudio: 2014, 2015-2016 y 2019" (Analysis of Paraguay river floods in Asunción considering the effects caused by the change of use/coverage of the soil. Years under study: 2014, 2015-2016 and 2019). Master's Degree in Disaster Risk and Adaptation to Climatic Change. Universidad Católica Nuestra Señora de la Asunción. Thesis. 2020.

standards²; and (iii) difficulties for the newcomers when trying to get formal jobs given the issues to operationalize the textile and waste management plants. This context enabled the escalation of social conflict, including clashes between neighbors and drug micro-trafficking, creating violence among community residents and in nearby areas.

Although drug micro-trafficking could affect the hospital workers and users, the Project is deemed to contribute to ease the social tension since it will employ the members of the community. In this sense, the Client will develop and implement a Local Personnel Training and Recruitment Plan and a Community Intervention and Strategy Plan addressed to the residents of San Francisco Neighborhood.

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

4.1 Assessment and management of environmental and social risks

The ESIAP, based on the Project's Master Plan, includes a list of the main management measures to be implemented to address the identified environmental and social (E&S) risks and impacts. Such document will be submitted to the MADES (Ministry of the Environment and Sustainable Development of Paraguay) in order to obtain the Project's environmental license.

As the engineering executive project of the Hospital develops, the Client will review and update the ESIAP to generate a final Environmental and Social Impact Assessment (ESIA), fine tuning the Project's Environmental and Social Management Plan (ESMP).

4.1.a E&S assessment and management system

The Client does not as yet have an Environmental and Social Management System (ESMS) in place. It will thus design one.

4.1.b Policy

The Client will prepare an Environmental and Social Management Policy as part of the ESMS.

4.1.c Identification of risks and impacts

The ESIAP includes an itemized list of the main Project risks and impacts, as well as of the management measures necessary to address them.

² According to the public representatives interviewed, the new homes in San Francisco are located very close to each other (in two- or three-story apartment buildings), which causes the neighbors to be closer to each other and thus increase social conflict.

4.1.c.i Direct and indirect impacts and risks

The main risks and impacts of the Project include: (i) noise generation; (ii) emission of particulate matter; (iii) impact on road traffic; (iv) solid waste generation; (v) soil pollution; (vi) surface and groundwater pollution; (vii) worker accident risks; and (viii) offer of direct jobs. The most significant indirect impacts include: (i) creation of indirect jobs; (ii) expansion in the national healthcare service provision capacity; (iii) increase in tax collection; and (iv) promotion of economic activity in the region close to the Project.

4.1.c.ii Analysis of alternatives

Preliminary assessments considered four alternative sites for the Project. The current plot was chosen based on the availability of suitable area for the Project (10 hectares), the presence of paved access roads and the low potential for impacting third parties.

4.1.c.iii Cumulative impact analysis

No formal cumulative impact analysis was prepared. However, a preliminary assessment which considered four valued environmental components (air quality, water quality, soil quality and comfort sound level at the area of influence) indicates that they would not be materially affected by a generation of aggregated impacts from existing and future projects.

4.1.c.iv Gender risks

Paraguay has in place a set of laws seeking gender equality. For example, the Fourth National Equality Plan³, which aims at “making progress towards real and effective equality, eliminating any obstacles which hamper or hinder it and doing away with all forms of discrimination”. However, despite the Government’s efforts to seek equality, gender violence is an issue that still needs to be taken care of: the femicides⁴ totaled 37 cases in 2019 and 36 cases in 2020, at rates of 1.1 and 1 femicides per 100,000 women for 2019 and 2020, respectively⁵.

In order to manage gender risk, the Client will: (i) draft a Human Resources Policy ensuring that labor laws, collective bargaining agreements and the standards of the International Labour Organization (ILO) are complied with; (ii) prepare a Code of Ethics and Integrity which will incorporate requirements such as equal opportunity, non-discrimination, respect for human rights, and diversity and inclusion; (iii) prepare a Gender Equity Plan to include women in the different levels of the labor force and reduce any salary differences between men and women; and (iv) adjust its grievance mechanism so that it may receive, treat and respond to any moral or sexual harassment reports.

³ “IV Plan Nacional de Igualdad (2018 -2024): Allanan obstáculos para la igualdad Sustantiva” (Fourth National Equality Plan [2018-2024]: Paving the way for substantive equality).

⁴ “Femicide” is the killing of a woman on account of her gender.

⁵ Smit, H.; Fraser, E. “Violence Against Women and Children Helpdesk. Latin American Regional Analysis. What Works to Prevent Violence. February”, 2022.

4.1.c.v Climate change exposure

The Project site is exposed to different risks which may be exacerbated by climate change: (i) high exposure to drought tending to be higher in the future; and (ii) moderate exposure to heat waves, which could increase in the medium term, to water scarcity, which may become an issue as the 21st century elapses, due to changes in precipitation patterns and river floods.

The hospitals' exposure to these risks relates to the integrity of their infrastructure, increasing use of cooling and ventilation systems and the need to have larger drinking water tanks. In order to manage the risks, the Client will prepare a Climate Change Adaptation Plan including actions and recommendations for specific measures for the Project.

4.1.d Management programs

The ESMS will include specific management plans, programs, and procedures for the construction as well as the operation phases of the Project. The management instruments under development as part of the ESMS include: (i) Organizational Training Plan; (ii) Local Personnel Training and Recruitment Plan; (iii) Environmental and Social Works Management Plan⁶; (iv) Road Safety Plan ; (v) Compensation for Suppressed Vegetation Plan ; (vi) Effluents, Surface and Ground Water Quality Monitoring Plan; (vii) Solid Waste Management Plan for the Operation; (viii) Occupational Health and Safety (OHS) Management Program; (ix) Gender Equality Plan; (x) Chance Finds Procedure; (xi) Community and Environmental Intervention and Strategy Plan; (xii) Climate Change Adaptation Plan; (xiii) Stakeholders Engagement Plan; and (xiv) Emergency Preparedness and Response Plan.

4.1.e Organizational capacity and competency

The Client will prepare an Organizational Capacity Plan, which will include the requirements, qualifications, and experience that potential hires should prove to have in order to ensure E&S management practices that are adequate for the Project's construction and operation phases.

4.1.f Emergency preparedness and response

The Client will draft an Emergency Preparedness and Response Plan to address the most probable emergency scenarios that could take place in the Project's construction and operation phases.

4.1.g Monitoring and review

The Client will establish monitoring and review procedures to measure the effectiveness of its ESMS and ensure compliance with any related legal, contractual, and regulatory obligations.

⁶ The Works E&S Management Plan includes the following programs: (i) demolition and debris management; (ii) construction material storage and management; (iii) works site and temporary facilities management; (iv) effluent, fuel and oil management; (v) management of the visual aspect; (vi) surface water management; (vii) solid movement management; (viii) emissions and noise control; (ix) basic and public service network management; (x) solid waste management plan during construction works; and (xi) replacement of affected assets.

4.1.h Stakeholder engagement

In order to establish sound, constructive and adequate relations essential to the good management of the Project's E&S impacts, the Client will prepare a Stakeholders Engagement Plan to ensure the involvement of the stakeholders.

4.1.i External communication and grievance mechanisms

The Client will draft procedures to receive, address and respond to any grievances from workers, contractors, and external communities.

4.2 Labor and working conditions

4.2.a Working conditions and management of worker relationships

The engineering executive project (under preparation) will define the personnel requirements for both the construction and operation phases.

4.2.a.i Human resources policies and procedures

The Client will prepare: (i) a Human Resources Policy; (ii) a Code of Ethics and Integrity; (iii) a Local Personnel Training and Recruitment Plan; (iv) a Gender Equality Plan; and (v) an OHS Management Plan. It will also include clauses in the contracts entered into with contractors and subcontractors binding them to the guidelines, management procedures and other E&S requirements of the Company.

4.2.a.ii Working conditions and terms of employment

The Client will comply with the national labor legislation, including the provisions in the Labor Code⁷ and the Labor Code of Procedure⁸, which set forth that: "all workers are entitled to be able to have decent existence and have the right to fair conditions at their job, to receive professional and technical education to improve their skills, to obtain higher revenues and to contribute efficiently to the Nation's progress."

4.2.a.iii Workers' organizations

The Client shall abide by the Labor Code of Paraguay, which grants all workers the right to free association in order to create trade unions or enroll workers with trade unions. Likewise, it shall meet the provisions of all collective bargaining agreements applicable to the professionals involved in the Project.

⁷ Law No. 213/93. Labor Code.

⁸ Law No. 742/61. Labor Code of Procedure.

4.2.a.iv Non-discrimination and equal opportunity

The non-discrimination and equal opportunity requirements will be included in the Code of Ethics and Integrity and the Gender Equality Plan of the Company. The Local Personnel Training and Recruitment Plan will be used to enable the labor inclusion of members of vulnerable communities close to the Project.

4.2.a.v Retrenchment

Labor contracts will be terminated in accordance with the requirements of Paraguayan labor legislation provided for in the Labor Code. There are no plans for collective retrenchment under the Project.

4.2.a.vi Grievance mechanism

The Client will draft a grievance mechanism that is accessible to all the employees, contractors and third parties.

4.2.b Protecting the workforce

The Client will observe Paraguayan laws, which bar any form of unpaid work (slave)⁹ or child labor¹⁰. The Project's Code of Ethics and Integrity will cover these items.

4.2.c Occupational health and safety

In Paraguay, the two main regulations governing OHS issues are the Labor Code and the General Technical Rules on Occupational Medicine, Health, and Safety (Reglamento General Técnico de Seguridad, Higiene y Medicina del Trabajo)¹¹. In addition to complying with these regulations, the Client will draft an OHS Management Plan and will monitor and investigate the causes of occupational accidents.

4.2.d Provisions for people with disabilities

Paraguayan legislation¹² provides for the inclusion of people with disabilities in routine tasks. In this sense, the Client will try to offer positions to people with disabilities as part of the Local Personnel Training and Recruitment Plan.

⁹ Constitution of Paraguay, article 10, and Criminal Code of Paraguay, section 124.

¹⁰ Law No. 1657/2001. Approving Convention No. 182 and Recommendation No. 190 on the prohibition of the worst forms of child labor and the immediate action for the elimination thereof.

¹¹ Decree No. 14,390/1992. Occupational Safety Standards: general technical rules on occupational medicine, health and safety.

¹² Law No. 3,540/2008, approving the convention on the rights of people with disabilities, and Law No. 4,934/2013 on accessibility to premises for people with disabilities.

4.2.e Workers engaged by third parties

The Client will include clauses in the contracts executed with contractors and third parties providing that they should comply with: (i) Paraguayan labor regulations; and (ii) the Code of Ethics and Integrity, the OHS Management Plan, and the E&S risks and impacts management procedures of the Company.

4.2.f Supply chain

As part of the suppliers acceptance process, the Client will verify that they: (i) comply with the Paraguayan labor laws; (ii) have not violated any human rights; (iii) have legal integrity; and (iv) have in place environmental, health and safety procedures similar to those required by the Company.

4.3 Resource efficiency and pollution prevention

4.3.a Resource efficiency

The engineering executive project will incorporate measures to reduce power and water consumption.

4.3.a.i Greenhouse gases

The Client will periodically monitor scope 1 (direct emissions) and scope 2 (consumption of electric power) greenhouse gas (GHG) emissions.

4.3.a.ii Water consumption

The construction works will not entail a large consumption of water. The engineering executive project will incorporate water consumption reduction systems and other measures to ensure the resilience of the Project in the light of climate change.

4.3.b Pollution prevention

4.3.b.i Wastes

For the construction phase, the E&S Works Management Plan will include a Solid Waste Management Program which will ensure the adequate management of waste generated during the construction phase, even hazardous materials. Thus, the Project will have a system to receive and treat sanitary effluents; the work site will have specific isolated areas with water-proof floors, roof, adequate ventilation, and controlled access for the temporary storage of solid waste from the works; licensed companies will transport and dispose of hazardous waste.

The operation phase will have in place a specific Solid Waste Management Plan so that hazardous (hospital) waste may be adequately managed internally and later disposed of by licensed

companies. The engineering executive project will include environmentally-adequate collection, treatment and disposal of sanitary and hospital wastewater. The Client will implement an Effluent, Surface Water and Ground Water Monitoring Plan.

4.3.b.ii Hazardous materials management

The hazardous materials used in the works will be stored in special containers in covered separate areas with controlled access, waterproof floor, adequate ventilation, and spill trays. These areas will have equipment to contain small spills, as well as information cards to inform workers about the risks and actions to be taken if they come into physical contact with any of these materials. The hazardous waste will be transported for the final disposal by specialized companies approved by competent authorities.

4.3.b.iii Management and use of pesticides

Except for the potential use of small amounts of herbicides to maintain the Project's green areas, the Client will not use pesticides. The products to be used will be strictly controlled as hazardous materials, and documented records on the purchase, storage and use thereof will be maintained. The personnel involved in application tasks will receive specific training on how to handle these products, how to use PPE and correct procedure for product application, storage, and disposal of its packaging. No products barred by international pesticide conventions will be used.

4.4 Community health, safety, and security

4.4.a Community health, safety, and security

The potential negative impacts of the Project on neighboring communities are estimated to occur during the construction phase, when the following are expected: (i) noise generated by machinery; (ii) dust generated with earthworks; (iii) potential conflicts between workers and the neighboring communities; and (iv) risks of accidents with vehicles or heavy machinery on the site access roads.

During the operation phase, the main risks relate to: (i) increase in traffic on the Project access roads; (ii) risks for patients in the event of fire; and (iii) potential conflicts between security personnel and micro-traffickers.

4.4.a.i Infrastructure and equipment design and safety

Except for any potential traffic congestion on the Project access roads, the hospital's operations will not generate any material negative impacts on the surrounding communities. In order to mitigate this effect, the Client will prepare and implement a Road Safety plan to reduce traffic accidents and congestion during rush hour.

The engineering executive project will be reviewed by an international specialist in fire-prevention systems to ensure that it meets the minimum requirements and is aligned with the international best practices for hospitals.

4.4.a.ii Hazardous materials management and safety

The implementation of specific waste management plans during the construction and operation phases of the Project will prevent nearby communities from being exposed to hazardous materials.

4.4.a.iii Ecosystem services

The Project does not interfere with any areas with ecosystem services being used by the nearby communities.

4.4.a.iv Community exposure to disease

Although, by its very nature, the Project will receive sick people, the pollution, and infections control protocols to be adopted by the hospital will prevent the propagation of disease in the environment.

4.4.a.v Emergency preparedness and response

The Emergency Preparedness and Response Plan will assess the most probable risk scenarios that could require the involvement of the community close to the Project. The Stakeholders Engagement Plan will be used to get the people involved in emergency preparedness and response actions.

4.4.b Security personnel

Considering the contextual risk associated to drug micro-trafficking in San Francisco, the Client will prepare a Security Plan which will include specific training measures for the security personnel in order to handle potential conflicts and violent situations with criminals.

4.5 Land acquisition and involuntary resettlement

The Project will not generate any economic or physical displacement of people.

4.6 Biodiversity Conservation and Natural Habitats

The Project will be completely developed in an altered urban plot which covers no natural or critical habitats, nor does it provide ecosystem services used by the surrounding communities. However, the Client will prepare a Vegetation Compensation Plan to replace the trees which will be removed during the construction.

4.7 Indigenous Peoples

The Project does not interfere with any indigenous communities.

4.8 Cultural Heritage

Although the Project is not estimated to interfere with the material or immaterial cultural heritage of the region, the Client will draft a Chance Finds Procedure to manage any potential chance finds (historical or archeological) that might take place during the planned soil movements.

5. Local Access of Project Documentation

Project documentation may be requested to: fernando_leri_frizza@lerifrizza.com.