

Annex IV – Draft Environmental and Social Strategy (ESS)¹

I. OVERVIEW AND PROJECT DESCRIPTION

- 1.1 The objective of this project is to enhance the quality of, and promote greater equity of access to, higher education in Peru by supporting the upgrade and expansion of a socially inclusive private university, including investments in infrastructure and equipment as well as the rollout of an innovative loan program. The proposed project is a senior financing of the expansion of the campuses of Universidad San Ignacio de Loyola (“USIL”), whose aim is to provide affordable, quality higher education to its students, and to supply high-quality graduates to the local labor markets. It is expected that USIL’s student population will reach the 18,000 students in the next 5 years. The total Project cost is US\$ 64,000,000.
- 1.2 The *Universidad San Ignacio de Loyola* (USIL) was founded in 1995 and is part of the *Organización Educativa San Ignacio de Loyola* (OESIL). The USIL was created with a mission to shape entrepreneurial professionals, capable of generating knowledge to produce change and foster the country’s development. Additionally, the USIL has an educational model based on four strategic pillars: entrepreneurship that permits students to identify and take full advantage of business opportunities; social responsibility, with the objective of overcoming inequality, fighting extreme poverty and promoting inclusion; globalization, that enables students to work effectively and efficiently anywhere in the world, and permits to offer an education with a global outlook and the highest international standards; and development, that foster the education of citizens committed to local development, with a broad perspective and knowledge of the national situation. USIL has been the first university in Peru to develop a bilingual education including English as part of its curricula.
- 1.3 The students at USIL receive economic benefits for their tuition based on a differentiated model that is called “*aspirational*”. This model takes into account the economic and social situation of each student; thus, USIL gives the opportunity to low-income students to obtain better education and professional opportunities.
- 1.4 The USIL is the sponsor of the Junior Achievement Peru Program that benefits more than 15,000 students in different high schools around the country. This program permits both students and professors of USIL to teach business administration in high schools. In addition, USIL created a research unit called *Observatorio de Prospectiva* that is a unit focused on follow up and analyze the new global tendencies. The unit encloses four research areas: biotechnology,

¹ This ESS will be made available to the public in accordance with the Bank’s Access to Information Policy. The ESS does not represent either the Bank’s approval of the Project or verification of the ESS completeness or accuracy. The Bank, as part of its due-diligence on the feasibility of the Project, will assess the environmental and social aspects. This assessment will be presented in the Project Environmental and Social Management Report that will be prepared by the Bank, and will be made available to public prior to consideration of the Project by the Bank’s Board of Executive Directors.

renewable energies; agro-business; and information technologies. Finally, USIL has a *Decanato de Responsabilidad Social* (Corporate Responsibility Office) that leads a group of students committed to improve social aspects of low income and less fortunate people.

- 1.5 The USIL owns three campuses in Lima: Campus 1, Campus 2, and Huachipa. Furthermore, the USIL is leasing seven spaces, four in Lima, and three in Cuzco and Arequipa. USIL has developed a plan to expand all its campuses' installations in Lima. The infrastructure master plan to carry out this expansion program consists to add 88,000 m² of infrastructure by stages to the current infrastructure facilities.
- 1.6 The first stage of this master plan includes the following sub-projects: **Pachacamac Infrastructure Sub-Project.** This sub-project will be developed in Southern Lima on a 36,000 m² property. These facilities will include classrooms, laboratories and an agro-industrial plant² to support the engineering faculty's activities, primarily. According to the master plan, these facilities will encompass a total of 14,000 m² of infrastructure, with 7,000 m² to be built during the first stage.
- 1.7 **Lima Norte Sub-Project.** This project will be developed in the district of Independencia, Northern Lima, on a 1,668 m² property. This district is part of Lima's metropolitan area, and this zone has developed significantly in recent years. The first stage of this campus will incorporate a two-floor building, laboratories, offices, and two-floor parking space underground. The total area of construction of this first stage will be 4,600 m². The complete design for this sub-project is a seven-floor building, plus the two underground floors.
- 1.8 **Campus 2 de la Molina Sub-Project.** This is a long-term development project that will be built in two stages. The first stage has already been built, which includes a ten-floor building for undergraduate and postgraduate programs classrooms, computer laboratories and administrative offices. The investment of the second stage is aimed at building a classroom pavilion and parking area.
- 1.9 **Huachipa Campus Sub-Project.** This campus is located on a 23,000 m² property. The expansion activities for this campus include increasing the number of classrooms and laboratories for meeting the needs of the undergraduate students by stages.
- 1.10 **Sports Center San Ignacio Recalde.** The sports center will be a three-floor building that will include parking spaces and gardens. This infrastructure work will be built in an existing campus. Finally, the Project includes remodeling

² The agro-business located in Pachacamac will be a laboratory and pilot plant to process, transform and can food. This plant will permit students to acquire and practice the theoretical knowledge as well as develop research to support existing small food companies to increase and improve their process, and create new small companies incorporating good practices and high standards to process food. This plant will have four areas: (i) fruit processing that will permit to obtain fruit concentrates, jellies, sauces, and juice; (ii) dairy products processing to obtain yogurt, butter and cheese; (iii) meat processing to obtain hams and sausages; and (iv) cacao processing to get high quality chocolate.

activities for the coliseum in the Campus 1. It will be installed elevators, and build some classrooms underground the Coliseum.

- 1.11 The USIL is planning to integrate de Green Building concept in its expansion operations. Thus, the new edifications will have a design including a better distribution of space to take advantage of natural light and air, and more green spaces, among other aspects of sustainable buildings. Construction of sustainable buildings in USIL will permit to increase productivity of students and professors.

II. STATUS AND COMPLIANCE

- 2.1 Based on the available documents, this operation is a Category “B” according to IDB Policy OP-703 – Directive B.3. Since the construction works for USIL Project are located in urban areas, they will likely be typical of urban construction works, and likely cause mainly localized and short-term negative environmental and social impacts for which effective standard and easily implementable mitigation measures exist. The Project will likely have strong positives outcomes, including higher education and job creation.
- 2.2 The USIL Project triggers the following policies and directives: Access to Information Policy (OP-702); Disaster Risk Management Policy (OP-704)³; Gender Equality Policy (OP-270); and Environment and Safeguards Compliance Policy (OP-703), particularly Directive B.2 (Country Laws and Regulations); Directive B.3 (Screening and Classification); Directive B.5 (Environmental Assessment Requirements); Directive B.6 (Consultations); Directive B.7 (Supervision and Compliance); Directive B.10 (Hazardous Materials); Directive B.11 (Pollution Prevention and Abatement); and Directive B.17 (Procurement). Based on the available documents, it is understood that the USIL projects will not involve involuntary physical or economic displacement, hence the IDB’s Involuntary Resettlement Operational Policy (OP-710) will not be triggered; however, it will be confirmed during due-diligence if compliance with OP-710 will be required.

III. ENVIRONMENTAL AND SOCIAL IMPACTS AND RISKS

- 3.1 Under the Mandate Letter the USIL will have access to long-term financing to build and expand its university campuses. There are no detailed developed plans for the construction and expansions activities in these campuses. Thus, the potential specific environmental and social, health and safety and labor (ESHSL) risks and impacts cannot be assessed ex-ante. These impacts will be diverse and their significance will depend on the project characteristics, such as size and location, which will be assessed at the specific environmental and social due diligence that will be required for the Sub-projects applying directly for funding under the Mandate Letter.

³ Lima is located in an area where some important geological faults have been identified. From near Chiclayo to Lima latitude, shallow seismic activity of collision-subduction is present beneath the seabed on the continental plate. From Lima to Chala (Arequipa), the seismic activity is very close to the coast, particularly in the department of Ica. Following northwest, east of Lima, Santa Rosa Quives, Canta and Yuracmayo faults are notable for their recent seismicity and its proximity to the city of Lima and the danger they represent to the infrastructure and population of the area. <http://www.indeci.gob.pe/contenido.php?item=ODU=>

- 3.2 All impacts and risks will be reviewed for the whole operation, which will be required to obtain Board approval. Therefore this environmental and social strategy is designed to assess the potential key ESHSL risks and impacts associated with the Project proposed under the Mandate Letter.
- 3.3 The environmental and social risks of the Mandate Letter arrangement as a whole are those related to the construction and operation of individual university campuses. Each individual campus is likely to have particular characteristics according to site and location. During construction or expansion works, and operations, these include environmental aspects such as, but not limited to, waste management, water and wastewater treatment, and air emissions from campus traffic, and health, safety and labor aspects, as well as social aspects such as nuisances and disruptions to neighbors during construction, and inclusion of low-income students and/or vulnerable groups (i.e. women, indigenous people, afro-descendants), during operations.
- 3.4 Particularly relevant during the operational phase of the USIL campuses will be potential impacts and risks from waste generation including scientific and chemical laboratory effluents; greenhouse gas emissions from vehicles in the campuses. In addition, the main health and safety risks to students and site workers are fire, indoor air quality, exposure to chemicals (especially cleaning products or contaminant materials, such as asbestos), and potentially flaws in the facility design (e.g., absence of guard rails, fire triggered sprinkler systems). On the social aspects, particularly relevant will be the degree to which the Project provides equal opportunity for education to vulnerable groups (including low-income students, minorities, and women). In addition, vulnerability to natural disasters, such as earthquakes, is also to be considered.
- 3.5 IDB may also incur in reputation risks associated with ESHSL risks of projects not financed under the Mandate Letter, but under the ownership of the same Sponsor (USIL)

IV. STRATEGY FOR ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

- 4.1 The Bank's ESDD will focus on reviewing the USIL's ESHSL practices to ensure they are consistent with IDB requirements, including (i) consistency with IDB's environmental and social policies; (ii) compliance with the Fundamental Principles and Rights at Work, the Convention Against Discrimination of Women, and with other relevant United Nations conventions and treaties; and (iii) the application of an acceptable environmental and social management system (ESMS) at the corporate level.
- 4.1 The due-diligence to review the ESHSL of USIL Project will include the following specific aspects:
- a. An assessment of Project compliance status with the applicable country (national, provincial, municipal, local) environmental, social, and health and safety regulatory requirements (e.g. laws, regulations, standards, permits, authorizations, applicable international treaties/conventions, etc.), project-specific legal requirements (e.g. Municipal permits, change in zoning and municipal regulations to allow for educational use, etc.), and any applicable

Bank environmental and social policies or guidelines. This assessment should include an analysis of Project buildings against applicable seismic building codes. In addition, although not a Policy requirement, the Project will also be evaluated against other nationally or internationally recognized green building certification;

- b. An evaluation of USIL's health and safety management systems, plans and procedures , including (i) any systems or plans already in place at other USIL campuses if those are to be applied to the Project; (ii) the technical adequacy of the systems and plans in light of potential project-specific health and safety risks (e.g., general construction work, working at heights, indoor air quality, etc.); (iii) the adequacy of the level of training to be performed, and whether sufficient resources will be made available to ensure implementation; (iv) the adequacy of the monitoring and reporting system during the construction and operational phases; and (v) terms of the construction contracts and ESHSL performance requirements to ensure environmentally responsible procurement;
- c. Existing or potential measures to increase access for women, indigenous and low-income students through the introduction of needs-based criteria in USIL's scholarship programs;
- d. In addition, for each Campus the following aspects will be reviewed:
 - i. An evaluation of the Project's Environmental Assessments (EAs) to confirm that direct and indirect, short-term, long-term and cumulative environmental and social impacts, including existing facilities, have been properly identified and evaluated. The evaluation should include, among others, analysis of the potential greenhouse gas emissions resulting from increased vehicular travel by students and employees to the Sub-Project site; and identification and quantification of positive impacts, including the number of jobs created during construction and operation;
 - ii. An evaluation to confirm adequate contingency plans (e.g., emergencies, fires, natural disasters, etc.), including confirmation that all relevant project-specific environmental risks have been identified, proper procedures have been developed, and sufficient resources will be made available to ensure adequate implementation;
 - iii. An evaluation of Project-related information disclosure and public consultation activities that have been performed and the proposed future actions to provide adequate ongoing communication, information disclosure and consultation with the affected population, including students and teachers;
 - iv. An evaluation of other potential existing and future environmental, social, or health and safety liabilities associated with the Project, the Project site, and the sponsor company.

- v. An evaluation of environmental, social and health and safety terms and conditions in relevant Project legal documents (e.g., construction contract, etc.).

4.2 The results of the due diligence of the operation will be presented in an Environmental and Social Management Report (ESMR) and summarized in the loan proposal for USIL Project.