

Classification and Environmental and Social Strategy (ESS) Xochi: Flower Road – GUATEMALA

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1. Project Scope and Objective and IDB Invest Participation

The Project consists of a Term Loan to Fondo BPS S.A., a special purpose vehicle established in Panama (the “Company”), and its shareholder BPS General Partner Corp. (the “Sponsor”), with the purpose of executing construction, operation, and maintenance of a private 31 km toll motorway from km 142.6 CA-2 Occidente road, San Antonio Suchitepéquez Municipality, to km 172.5 CA-2 Occidente road, San Andrés Villa Seca Municipality, in Guatemala (the “Project”). The expected useful life of the asset is 40 years and is expected to be completed in approximately two years.

The highway will pass through the municipalities of San Antonio Suchitepéquez, Santo Domingo Suchitepéquez, San Lorenzo, Mazatenango, and Cuyotenango in the Department of Suchitepéquez, and the municipality of San Andrés Villa Seca in the Department of Retalhuleu. Both the Company and the Sponsor are private companies. The project, which is known as “Xochi: Corredor de las Flores,” will be paid for via tolls. The objective of the project is to reduce traffic congestion in the region by providing through traffic with an alternative (i.e., bypass) to traveling along Route CA-2 through San Bernardino, Mazatenango, and Cuyotenango, which is currently heavily congested.

Classification and Environmental and Social Strategy

The project has been classified as Category A, in accordance with IDB Invest's Environmental and Social Sustainability Policy given the potential to generate the following negative impacts during construction and operation phases of the Project: i) temporary air quality alteration due to construction activities and as a consequence of traffic increase; ii) erosion due to expected earth movements during construction; iii) increased noise level and vibration due to the use of construction equipment and later increase in traffic; iv) vegetation and forest cover loss with possible impacts on fauna, flora and natural habitats; v) generation of hazardous, non-hazardous and special solid and liquid waste at work fronts, camps, crushing and asphalt plants; vii) visual and aesthetic impact due to landscaping impact; viii) physical and economic displacement of nine families; ix) generation of employment expectations in all the communities identified within the project area; x) impact on communities in the area of influence due to impacts on water, air, noise and generation of vibrations; xi) pressure on communities regarding the supply of resources such as water and energy; xii) exacerbation of gender risks due to the potential influx of external personnel; xiii) impact on biodiversity, hunting of animals and burning of firewood for cooking.

The Project has an environmental license¹ for construction of the road, granted by the Ministry for the Environment and Natural Resources of Guatemala (*Ministerio de Ambiente y Recursos Naturales*).

The Environmental and Social Impact Assessment for the road presents an Environmental and Social Mitigation Plan (ESMP) for the construction and operational phases of the project which includes impact prevention and mitigation measures for the following aspects: air quality; noise and vibrations; geologic resources; hydric resources; flora and fauna; landscape; archaeological resources; health and safety; and socioeconomic. Also, a detailed emergency response and contingency plan with emphasis on health and safety and COVID-19 prevention protocol are part of the ESMP.

The Environmental and Social Due Diligence ("ESDD") process will analyze, among others, the following issues: (i) the social units to be physically or economically displaced by the Project (resettlement plan); (ii) the socio-economic baseline description for the area of direct influence; (iii) land use; (iv) reforestation areas; (v) the areas where excess material, debris, and solid and hazardous waste will be deposited; and (vi) the proposed environmental, social, and occupational health and safety management plans.

The Sponsors will be required to ensure that the Project complies with the requirements of IDB Invest's Sustainability Policy and to close any identified gaps through an action plan.

Based on the information received and reviewed so far the Performance Standards ("PS") that the Project is likely to trigger 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; iv) PS4: Community Health, Safety, and Security; v) PS5: Land Acquisition and Involuntary Resettlement; vi) PS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources; vii) PS7: Indigenous Peoples; and viii) PS8: Cultural Heritage. The final determination of the PS triggered by the Project will be done by the end of the ESDD process.

Once the ESDD process is completed, an Environmental and Social Review Summary (ESRS) will be prepared and published on this website.

2. Additional Information

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¹ MANAGEMENT DIRECTION OF ENVIRONMENTAL AND NATURAL RESOURCES. ENVIRONMENTAL LICENCE No. 6263-2022/DIGARN, code: e8tnHu2s1i, CATEGORY B1 valid from October 3rd, 2022, to October 2nd, 2025.

For questions and comments to BID Invest, please contact:

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In addition, affected communities can access IDB Invest's Independent Consultation and Investigation Mechanism (ICIM) as follows:

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