

The BID Invest potential corporate loan to Santa Fe (“the Company”) will consist of up to US\$ 5 million. It aims to finance OPEX for working capital for certain specific projects in which the Company requires resources (participate in tenders, start-up operations and other pre-operational expenses). One of them, “Mejoramiento del Camino Rama - Empalme Kukra Hill - Laguna de Perlas, Tramo II (“the Project”), consisting in the repaving and widening of an existing road of 52.58 km.

### **1. Overview of Scope of BID Invest Environmental & Social Review**

An environmental and social Due Diligence visit was carried out for this operation on January 20 to 21, 2017. This ESRS was prepared based on the site visit, the analysis of documentation provided by the client and information requested during the visit. It is important to point out that, at the time of the site visit, the project was reported started by the Company on December 15, 2016.

Interviews were performed with the following key Santa Fe employees in charge and contractors:

1. Jose Zamora, Santa Fe Operacional Manager
2. Luis Hernández Sánchez , Engineering Coordinator
3. Pedro Martínez Jáenz, Environmental Supervisor

And local government representatives of El Rama city municipality:

1. Alvaro Jose Lopez Vargas: Legal Advisor
2. Xiomara Sequeira: Secretary of the Board

### **2. Environmental and Social Categorization and Rationale**

This project has been categorized as B, according to BID Invest’s Sustainability Policy because it can result in certain effects that can be avoided or mitigated following generally recognized performance standards, guidelines and design criteria. The main E&S aspects analyzed were: Assessment and Management of Environmental and Social Risks and Impacts, Labor and Working Conditions, Resource Efficiency and Pollution Prevention, Community Health, Safety and Security, Land Acquisition and Involuntary Resettlement and Biodiversity Conservation and Sustainable Management of Living Natural Resources.

### **3. Environmental and Social Context**

The Project is part of the Nicaragua’s Government National Development Plan “Plan Nacional de Desarrollo” to the enhancement of rural roads to connect Managua and the Atlantic region with the Caribbean. This project is located geographically in the Autonomous Region of the South Caribbean Coast (RACCS), has a total length of approximately 80.49 km. As previously mentioned, the segment to be intervened has a length of 52.58 km. A temporary camp for will be implemented near the road to support construction in order to lodge around 750 workers (at peak).

Two (2) sections to be intervened by the Company are:

- SECTION 1 - “Sub - Tramo IIA”: from Et. 312+985.00 to Est. 286+695.00 (26.29 Km), design and construction, and;
- SECTION 2 - “Sub - Tramo IIB”: from Est. 286+695.00 to Est. 258+785.00 (27.91 Km), only design.

These sections are located within a very vulnerable area of the road, due mainly to the adverse climatic and topographic conditions that prevail in this area, turning the transit very difficult. These conditions affects life quality of the inhabitants of the Autonomous Region of the South Caribbean Coast (RACCS), who remains often isolated from the access to health, education, commerce. Bad road conditions also difficult the emergency response plans of the government.

Rama, Kukra Hills and Laguna de Perlas cities and rural communities of Chalmeca, San Ramón, La Fonseca y Flor de Pino are in the direct area of influence of the Project. However, 70% of the

extension is not surrounded of communities. Natural environment it is characterized by the presence of “fincas” in which the use of land is livestock and agriculture. In addition, the road goes through large extensions of oil palm harvesting belonging to private companies.

The Company developed an Environment Assessment (no EIA -rather an EA- was required). The Ministry of Transportation and Infrastructure - MTI developed previously an umbrella EIA to obtain environmental license of the Project.

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

##### **4.1 Assessment and Management of Environmental and Social Risks and Impacts**

###### **a. E&S Assessment and Management System**

The Company is currently implementing an OHSAS 18001 management system in other operations. The EA of the Projects include an Environmental Management Plan including the including emergency preparedness and response procedures.

###### **b. Policy**

The Company has a statement of it Mission, Vision and Values at the corporate web page.

###### **c. Identification of Risks and Impacts**

EA identifies impacts and aspects qualitatively and developed a risks evaluation matrix of the Project and propose mitigation measures during the execution of the Project.

###### **d. Management Programs**

The EA proposes Environmental and Social Management Programs (ESMP) to be applied during the execution of the Project.

###### **e. Organizational Capacity and Competency**

No information about this subject was reviewed.

###### **f. Emergency Preparedness and Response**

EA includes emergency preparedness and response plan (EPRP) for construction phase, it addresses natural disaster emergencies. No EPRP for other types of emergencies with the exception of contingencies due to social conflicts.

###### **g. Monitoring and Review**

A monitoring and follow up program is part of the ESMP of the EA document to be applied during the execution of the project, according with environmental regulations. However it doesn't includes specific monitoring of liquid effluents, water bodies, ground water, soil, noise, air quality, atmospheric emissions to be performed during the operation of the temporary construction camp.

###### **h. Stakeholder Engagement**

There is an stakeholder plan described at EA called Integration and Social Control (“Concepto de Integración y Control Social”)

###### **i. Stakeholder Analysis and Engagement Planning**

The EA has identified key stakeholders of the Project, among them are:

1. Local government
2. Local communities
3. Employees
4. Local Environmental regulatory agency
5. Subcontractors

Although community-related impacts and mitigation measures during construction are described in the EA, engagement planning is limited.

###### **j. Disclosure of Information**

The EA does not appear to be public.

k. Informed Consultation and Participation

As per legal requirements, public consultations were done during the development of umbrella EIA performed by the government through the MICI. At Laguna de Perlas city on November, 2015, around 30 attendees from the community were registered and according with documentation submitted by the Company, at Kukra Hill city, there was a participation of almost 90 people.

l. Indigenous Peoples. There is no presence of indigenous groups in the Project's area of influence.

m. Private Sector Responsibilities under Government-Led Stakeholder Engagement

No information about this subject was reviewed.

n. External Communication and Grievance Mechanisms

Limited information about this subject was reviewed on the EA.

o. External Communications

Limited information about this subject was reviewed on the EA.

p. Grievance Mechanism for Affected Communities

Limited information about this subject was reviewed on the EA.

q. Ongoing Reporting to Affected Communities - Limited information about this subject was reviewed on the EA.

## 4.2 Labor and Working Conditions

a. Working Conditions and Management of Worker Relationships

No information about this subject was reviewed

i. Human Resources Policies and Procedures

No information about this subject was reviewed.

ii. Working Conditions and Terms of Employment -No information on number of workers engaged during construction

iii. Workers' Organizations

iv. Non-discrimination and Equal Opportunity

v. Retrenchment - Not applicable for the Project

vi. Grievance Mechanism

No information about this subject was reviewed.

b. Protecting the Workforce

i. Child Labor - Not applicable for the Project

ii. Forced Labor- Not applicable for the Project

c. Occupational Health and Safety

The EA performed a risk assessment for routine tasks during road construction and proposes mitigation measures. No evidence of a preliminary risk analysis (APR) to be performed previous the execution of activities.

d. Workers Engaged by Third Parties No information about this subject was reviewed.

e. Supply Chain - No information about this subject was reviewed.

## 4.3 Resource Efficiency and Pollution Prevention

No clarity on the adequacy of the road design to disaster risk (flooding, hurricane, etc.) to which the

area is susceptible.

a. Resource Efficiency

i. Water Use and Consumption

To be handled according the Environmental and Social Management Programs of EA.

ii. Energy Consumption

As described at the EA for the temporary camp, water and energy provision from the grid is planned. Some analysis provided on management of environmental impacts related to earth, flora and fauna, pollutants, and water, but no data as to water consumption, waste, baseline on air/noise, soil, water.

b. Pollution Prevention

i. Wastes - To be handled according the Environmental and Social Management Programs of EA. A third party will be contracted for treatment and disposal.

ii. Hazardous Materials Management - To be handled according the ESMP of EA. A third party will be contracted for treatment and disposal.

iii. Pesticide Use and Management - Not applicable

#### **4.4 Community Health, Safety and Security**

a. Community Health and Safety

General community risks and impact identified, though no detail on sensitive areas encountered an ESMP is proposed.

i. Infrastructure and Equipment Design and Safety - Design of temporary camp is provided, fueling inside the camp is considered.

ii. Hazardous Materials Management and Safety - Not described at EA

iii. Ecosystem Services - Not applicable

iv. Community Exposure to Disease - An environmental education plan is proposed but not yet developed : "Subprograma de capacitación Vial - Ambiental - Salud"

v. Emergency Preparedness and Response - A plan is proposed at EA

b. Security Personnel - No mention at EA.

#### **4.5 Land Acquisition and Involuntary Resettlement**

Recognition of individuals directly impacted by the Project, but no discussion of their possible resettlement/compensation, it seems that it will be defined by the government.

#### **4.6 Biodiversity Conservation and Natural Habitats**

a. Protection and Conservation of Biodiversity

The Project does not appear to pass through critical habitat or national parks. EA has not defined nor have a biodiversity monitoring program in place. Baseline not considers fauna or flora.

b. Modified, Natural and Critical Habitat

i. Legally Protected Areas and Internationally Recognized Areas

No legally Protected Areas are in the Direct Influence Area of the Project. Project does allude to forest management plan required of EPC for any deforestation.

ii. Invasive Alien Species

No information is available about existence of invasive and/or potentially invasive species in the Project's area of influence.

c. Management of Ecosystem Services- Not applicable for the Project

d. Sustainable Management of Living Natural Resources- Not applicable for the Project

e. Supply Chain- Not applicable for the Project

**4.7 Indigenous People** - Not applicable for the Project

**4.8 Cultural habitats** - Not applicable for the Project

## 5. E&S Action Plan

### SANTA FE, RAMA- KUKRA HILL PROJECT - Environmental & Social Action Plan (ESAP) - February 2017

Item	Action	KPI	Deadline
1	Development of a Stakeholder Engagement Plan and include a Community Grievance Mechanism.	Internal procedure (Internal & External Communications management Plan) including communications flowchart.	Before closing Annually, to report the disclosure to stakeholders
2	Evaluate EPC's emergency preparedness and response plan (EPRP).	Training and Drills (practices) of measures	3 months after the first disbursement
3	The Company will develop and implement a Safety and Occupational Health (SOH) Management System (according with OHSAS 18001 norms) to be applicable during construction works. The system should include the following elements: (i) policy; (ii) identification of risks and impacts; (iii) management programs; (iv) organizational capacity and competence; (v) emergency preparedness and response; (vi) participation of social actors, and (vii) monitoring and evaluation. A Permit-to-Work system need to be incorporated. The programs already in place can be part of this system.	Internal approval of the SOH Management System	6 months after the first disbursement
4	The Company will designate an Environment, Safety and Occupational Health officer with direct report to the Operations Manager.	Lost Time Incident Frequency Rate (LTIFR) Reports	Quarterly
5	Incorporation of worker grievance mechanism into overall grievance mechanism.	Organization chart	Before closing
6	Develop an Environmental Monitoring Matrix to accomplish with environmental regulations in terms of permissible limits and frequency.	Internal procedure	Before closing
		Monitoring matrix for the construction camp and Submission of laboratory analysis reports	3 months after the first disbursement Quarterly
7	Incorporation of adaptation or mitigation measures in the design, related to the vulnerability aspects of the road.	Vulnerability Study of the road.	When available from the MTI. Quarterly Submission, based on study availability.
		Construction report with the design detail that incorporates these measures.	In case the study takes more than 3 months, from the disbursement, the measures must be taken under the best design criteria.
8	Evaluation of any resettlement and possible development of a Resettlement Action Plan (RAP) depending on extent of those affected. Link to Stakeholder Engagement Plan.	Prepare a RAP and include it at Internal & External Communications management Plan	Before closing
9	Clarify extent of biodiversity impact, and forest management plan proposed.	Updated version of EA (VAS) including the Forest management plan.	1 month after the first disbursement