

Annex 1 – BTA Project (DR-L1030)

ENVIRONMENTAL AND SOCIAL STRATEGY

1. Background

1.1. The *Santo Domingo-Cruce Rincón de Molinillos* highway (the “Northeast Highway project” or “NHP”) is a toll road in service that was awarded to the partnership *Autopistas del Nordeste, C. por A.* (ADN) under a 30-year concession contract (the “Concession”), pursuant to an international bidding process that was awarded in 1999 and is being managed by the State Secretariat for Public Works & Communications (SEOPC). NHP will reduce the travel time and distance between the capital, Santo Domingo and to Samaná City in half (from 5 h to 2:30 h). This will also allow for increased daily movement of tourists between Samaná and the Southern part of the country including the Capital.

1.2. The Concession was signed in 2001 and approved by Congress in 2002. As part of ADN’s plans to finance the Northeast Highway, the project went to market in February 2006 and successfully issued a USD162 million note for 20 years. Subsequently, the construction started in March 2006 and was partially completed in August 2008.

2. Project Description

2.1. The Concession contemplated an optional 123-km of additional road construction and rehabilitation in order to connect the City of Nagua to the final destinations in the Samaná Peninsula (“the Project”). Such extension, will also allow to connect the city of *Santo Domingo* and *Cruce de Rincón de Molinillo* and has three components: i) the rehabilitation of an existing highway that links the cities of Nagua – Sánchez – Samaná - El Limón - Las Terrenas (99 Km), ii) the 24-km construction of a new road between Las Terrenas and Majagual, and iii) the construction of a new toll station.

2.2. As the Concession also contemplates partial and full assignment of such contract, ADN, decided to split the concession and create a new company to undertake the Project as an independent one. In this way, Boulevard Turístico Del Atlántico, C. por A. (“BTA”), the Project’s Company, was created for such purpose.

2.3. BTA approached the IDB for support through an IDB A/B loan structure. The total cost of the Project, including design, construction, rehabilitation and infrastructure is approximately US\$181 million. The proposed financing structure contemplates a debt equity ratio of 88/12. Construction is expected to take approximately 24 months. IDB’s A loan participation would be up to US\$60 million, and the B loan would be up to US\$100 million to be provided by commercial banks. As per the nature of the Project, it is expected that the A loan would have a tenor of up to 15 years, and 10 to 12 years for the B loan, with a 2-year grace period during construction of the Project.

3. Environmental and Social Compliance

3.1. An Environmental Impact Assessment (EIA) report was prepared by Louis Berger Group for the BTA Project and was published in September 2007. It includes an Affidavit (*Declaracion Jurada*) in which the Public Works Secretary and the Project’s environmental consultant summarize the Project activities and impacts, and state a commitment to implement the prevention, control, and mitigation measures in the

Environmental Management Program. The Environmental License for this Project was issued on December 7, 2007.

3.2. Also, public hearings were held in the cities of Nagua, Sánchez, and Las Terrenas on August 28 and 29, 2007. Prior to the hearings, a household survey was conducted in the Project-affected communities. The survey questionnaire contained 77 questions to elicit basic data about the household head, family characteristics (including size, composition, economic status and income), dwelling characteristics, social and physical infrastructure available, land tenure, land size, economic activity carried out on the land, type of output, and public awareness and opinion about the Project. Of the 154 household heads interviewed, 72 percent indicated that they knew the existence of the project and 84 percent of them were supportive to the Project. Comments at the Nagua meeting focused on road improvements. Las Terrenas residents said they are very happy with the project, which they have been awaiting for a long time. Sánchez residents asked for improvements in traffic control.

3.3. Preliminary information on land holdings and use was gathered by the Ministry of Public Works and Communications and the Project sponsor. This initial information indicated that 15 houses, 11 improvements (including wells, fences, etc.) will need to be relocated within the areas adjacent to the projected road, and 131 plots will be affected to varying degrees due to the Project. The number of homes and plots affected by the project is not expected to increase. Topographic research to identify the exact borders of plots affected was planned to be completed by the end of December 2007, and each plot/home owner or occupant was going to be contacted individually to explain resettlement and compensation principles; their feedback will be incorporated in the Resettlement and Land Compensation Action Plan (RCAP), which will be prepared by the Project sponsor (the concessionaire) together with the Ministry of Public Works and Communications. The RCAP is a key document presenting mitigation measures to address the project's land acquisition impact.

3.4. The road sections planned to be reconstructed and upgraded crosses through numerous areas of medium and high density settlements. Management and control of road traffic through (and in detours around) areas of road reconstruction and upgrading should minimize hazards to local residents and travelers (as well as road workers). These mitigation measures to protect/ensure public safety will be documented in a Traffic Management Program (TMP). Also a Community Traffic Awareness Program (CTAP) will be developed and implemented. The TMP and CTAP will be produced by the Project's enterprise in close collaboration with The Ministry of Public Works and Communications, and will be disclosed locally at strategic locations along the BTA. The Project's enterprise is also developing emergency contingency plans incorporating the entire work force to respond to unusual conditions (fire, hydrocarbon or hazmat spills, hurricane, tornado, or flood).

3.5. The majority of the construction work force will be engaged by contractors; the Project's enterprise will exert due effort to ensure relevant requirements from IDB policies are met and that they will be applied to all such non-employee workers. All Project contractors are required to give preference to local residents in hiring unskilled employees. Workplace accidents and injuries caused by road construction, upgrading, and associated tasks will be prevented and managed by development of workplace health and safety plans covering all workers and subcontract labor involved in the project; special provisions for blasting safety; provision of appropriate personal protective

equipment to all workers; detailed recordkeeping of accidents, incidents, and injuries; and monitoring and control by company safety inspectors (with oversight by Labor Secretariat inspectors with power to apply sanctions). The Project's enterprise HR policy will also reflect transparent worker relations, terms of employment, retrenchment and grievance mechanism, non-discrimination, etc.

3.6. Based on the current available information¹ the Project team has proposed that the Project *Boulevard Turístico del Atlántico* be classified as a Category B under IDB classification procedures. Most of the impacts are site-specific, limited in number, and mitigation measures are readily identifiable. More than 80 percent of the Project is reconstruction of an existing roadway within an existing right-of-way. In the 24 Kilometers of new construction that crosses a sparsely populated area the main issues include deforestation and impacts on wetlands, changes in land use and landscape, and potential negative effects on flora and fauna. Before finalization of the road alignment, Forestry officials are required to verify that no stands of primary forest and/or endemic/protected species are affected.

3.7. Based on the current information it is expected that the following IDB policies and policy directives of the Environmental and Social Safeguard policy could be triggered and will be evaluated thoroughly during the Environmental and Social Due Diligence (ESDD). These include traffic patterns and flow, air quality and noise, waste and spill management, public and workers health and safety, water resources and drainage (B.5 and B.11), involuntary resettlement, land acquisition and compensation (OP-710 and B.6), land use, and biodiversity management (B.9 and PO-704/GN-2354).

4. Environmental and social setting and context

4.1. The Samaná peninsula is considered as a high potential tourist destination and therefore, it is amongst the highest development priorities for the Government of the Dominican Republic (GODR).

4.2. The proposed Project consists mainly of the rehabilitation of an existing 99 km coastal road and the construction of a new 24 km segment. The new 24 km road will cross an area which is scarcely populated and that presents mostly secondary forest, grasslands and wetlands. Reportedly, for construction and rehabilitation up to 15 houses will need to be relocated from their actual location. Also, 11 improvements (including wells, fences etc.) will need to be relocated within the areas adjacent to the projected road, and 131 plots will be affected to varying degrees due to the project. The number of houses and plots affected by the project is not expected to increase.

4.3. The Samaná Peninsula where most of the IDB project is located, limits with two protected area: "Parque Nacional Manglares del Bajo Yuna" and "Sanctuary for Marine Mammals of Bancos de la Plata y la Navidad"². The jurisdiction of the sanctuary encompasses the parts of the Samaná Bay (between Punta Balandra and Miches), Christmas Bank, Silver Bank, all waters in between and the Northern and Eastern coastline of the Dominican Republic, including all of the deeper ocean waters in between,

¹ Declaración de Impacto Ambiental, proyecto Boulevard Turístico del Atlántico (Segunda etapa Santo Domingo-Samaná). September, 2007

² Conservative estimates believe three to five thousand humpbacks pass through twenty square miles of this marine protected area during a season. On October 14, 1986 President Joaquin Balaguer issued a declaration establishing the Silver Bank as a whale sanctuary. On July 5, 1996, by presidential decree No. 233/96, Article 22, the Silver Bank Sanctuary was enlarged.

which are heavily traveled migration routes for whales headed to other parts of the Antilles. Every year, from December to the middle of April these waters receive some three to five thousands migrating North Atlantic Humpback Whales in the way to breeding and calving zones throughout the area.

4.4. The sanctuary is the largest marine mammal sanctuary in the northern hemisphere. The Samana's Sanctuary of Humpback Whales is well known. These whales have been internationally recognized by CITES as an international treasure protected in Appendices I and II. They are also fully protected by the Dominican government.

4.5. Humpbacks can be easily observed, either at their feeding or breeding grounds. Whale watching has become an increasingly popular worldwide activity, and the Dominican Republic is known to have one of the largest and best humpback breeding sanctuaries in the world. The Dominican government enforces strict whale protection laws and guidelines to ensure the safety and conservation of these endangered mammals. As part of the Sanctuary, all activities on the sanctuary must adhere to strict guidelines set forth by the office of The Sub-Secretariat of Protected Areas & Biodiversity of the Dominican Republic.

5. Environmental and Social Risks and Impacts

5.1 According to the EIA, the main potential impacts associated with the Project will result from the construction and operation of the new road. The EIA identifies as some of the main impacts: air, soil and water pollution due to new soil deposition sites along the road project, increase in dust emissions and noise and vibrations, visual quality loss over the landscape, loss of forest cover, and habitat fragmentation.

5.2. Overall, construction activities will generate limited site-specific and negative social and environmental impacts. These impacts will be related to alterations in traffic patterns, impacts on air quality, generation of noise, alteration of water resources and drainage, generation of waste, land acquisition and compensation for the right of way, and some alterations on the land cover and biodiversity. During the operation phase the main negative environmental impacts will be associated with an increase in traffic (production of noise, vibrations, and risk of accidents).

6. Environmental and Social Due Diligence (ESDD)

6.1. The Bank, as part of the due diligence process, will analyze the following environmental and social aspects of the Project:

- a. An assessment of Project compliance with national, state, municipal, if applicable, environmental, social, labor, and, health and safety regulatory requirements.
- b. Assess compliance with applicable IDB Bank environmental and social policies, including specifically the Environmental Safeguards Compliance Policy (OP-703), the Involuntary Resettlement Policy (OP-710), the Indigenous Peoples Policy (OP-765) and the Information Disclosure Policy (OP-102).

- c. Assessment of the adequacy of the Environmental Impact Assessment (EIA) including the proposed mitigation/compensation measures.
- d. The environmental and social due diligence will assess these potential risks and the way they are being managed by the government and the Project, particularly negative social indirect impacts such as an increase in the demand of services as water, ground transportation, etc) and zoning and regulation of nearby land to control unplanned development.
- e. Inclusion of Environmental Technical Specifications (ETS) to be followed by the constructor and monitored by the supervision.
- f. Confirmation that direct, indirect and cumulative environmental and social impacts have been properly identified and evaluated.
- g. Mitigation measures need to be reviewed and assessed during the due diligence. A gap analysis might be useful to assess the level of threat and distribution ranges for these species and measures for habitat conservation along the area of influence of the road project. Alternatives such as bridges for crossing water streams, rivers and marshes will also be considered.
- h. Evaluation of the proposed Environmental and Social Management Plan (PMAA, Plan de Manejo y Adecuación Ambiental) to be adopted by the Project to guarantee the compliance with the country and Bank's safeguard policies.
- i. Evaluation of the emergency response plan, the health and safety plan during construction and operation as well as the land acquisition and resettlement plan.
- j. An assessment of the potential environmental and social risks associated with the road construction, operation and maintenance.
- k. An assessment of the mitigation/compensation measures for habitat fragmentation such as reforestation with native species, land slide controls and cumulative impacts on coastal/marine ecosystems.
- l. A natural disaster risk assessment for the direct and indirect project influence areas. Compliance with the IDB disaster risk management policy (OP-704/GN-2354) will also be reviewed during the due diligence.
- m. Contingency and Emergency plans for the project.

6.2. Based on the ESDD, the team will prepare an Environmental and Social Management Report (ESMR) for consideration by the Environmental Safeguards Review (ESR). The ESMR will summarize the environmental, social, health and safety and labor aspects associated with the Project, and will outline the proposed Bank's environmental and social requirements.

Figure I. Map of the Project



Figure II. Map of the Sanctuary for the Marine Mammals of the Dominican Republic



In the above map, the area marked in dark blue shows the territorial waters of the Dominican Republic; the green shows the waters of the Sanctuary for the Marine Mammals.