

**DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK**



## **NICARAGUA**

## **BROADBAND PROGRAM**

**(NI-L1090)**

### **ENVIRONMENTAL AND SOCIAL MANAGEMENT REPORT (ESMR)**

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## LIST OF ACRONYMS

CNH	Critical Natural Habitat
EA	Environmental Assessment
EHS	Environmental Health and Safety
ESG	Environmental Safeguards Unit of the Bank
ESMR	Environmental and Social Management Report
ESMP	Environmental and Social Management Plan
ENATREL	Empresa Nacional de Transmisión Eléctrica
GIS	Geographic Information Systems
IFC	International Finance Corporation
MARENA	Ministry of Environment and Natural Resources
NDR	Natural Disaster Risk
NH	Natural Habitat
ROW	Right Of Way

## 1. INTRODUCTION

### A. Summary Table

Country	Nicaragua
Sector	Telecommunications
Project Name	Broadband program
Borrower and / or Sponsor	Republic of Nicaragua
Executing Agency and / or Company	Instituto Nicaragüense de Telecomunicaciones y Correos (TELCOR) y Empresa Nacional de Transmisión Eléctrica (ENATREL).
Transaction Type	Flexible financing facility
Total Project Cost (in US Dollars)	US\$50 million
IDB A-Loan (if applicable)	IBD (OC) : US\$15 million and IDB (FSO) US\$10 million
B-Loan/Co-lenders	Korea Infrastructure Development Co-financing Facility for Latin America and the Caribbean (US\$25 million)
Environmental Category	B

## 2. PROJECT DESCRIPTION

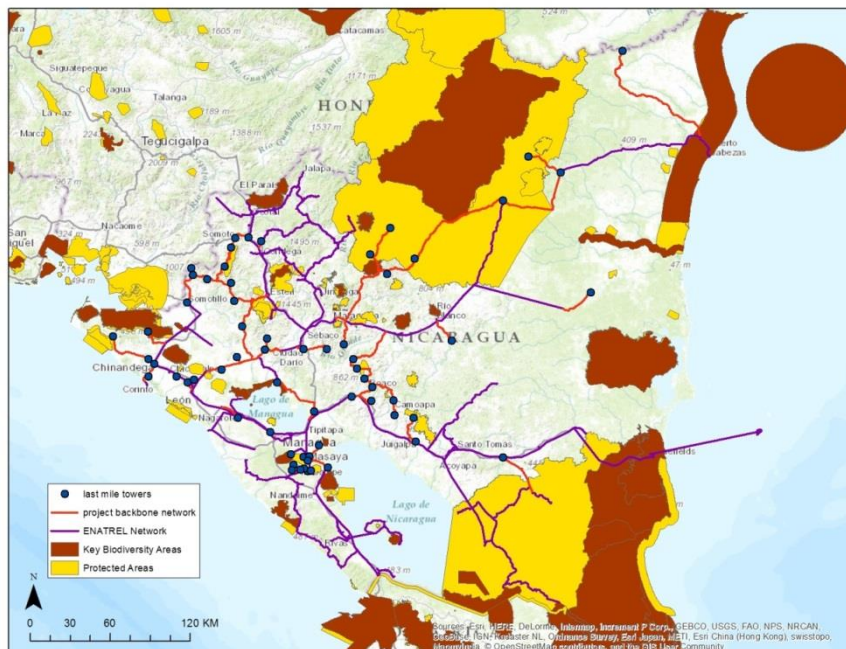
### A. Key Project Infrastructure Components

- 2.1 The general objective of this program is to increase broadband penetration in Nicaragua with the ultimate goal of contributing to the economic and social development of the country. The specific objectives are to: (i) expand the infrastructure (backbone and last-mile networks); (ii) update the regulatory framework to ensure that networks can be used in fair price and quality conditions; and (iii) increase ICT capacities and use of broadband among citizens and public officers.
- 2.2 Component 1 of the project, which is the infrastructure component (US\$40.5 million) is comprised of two subcomponents (1) expansion of the Empresa Nacional de Transmisión Eléctrica (ENATREL) backbone network of broadband comprising 1,629 Km of fiber optic cable, representing 73 sections of a proposed 3,592 Km network (Figure 1), and (2) installation of a total of c100 towers for wireless to provide a last-mile network for isolated villages in each municipality, providing internet for health centers, tele-centers and schools (Figure 2).
- 2.3 **Backbone network:** The expansion of this network will be done through the installation of new fiber optic cables as guard wires in existing transmission lines and street light posts. In areas where there are no transmissions lines or posts, the fiber optic cable will be installed on new posts that will be placed along existing roads. These new posts are made of concrete and are approximately 7 to 10 meters long and 30 to 50 centimeters of diameter.

**Figure 1: ENATREL's current and proposed electricity network (purple), and fiber optic cable backbone network to be supported by this project (red)**

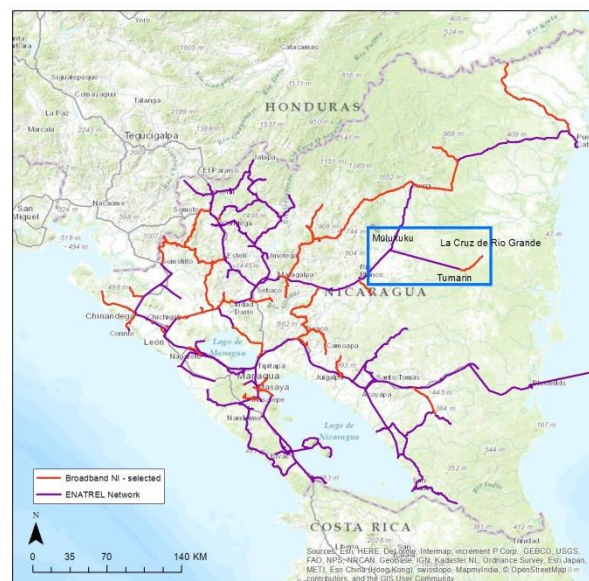


**Figure 2: The approximate position of the last-mile towers and the location of key biodiversity areas and protected areas in the country**



- 2.4 **Last-mile network towers:** Where possible these network towers will be installed in existing substations. In areas where no there are no substations available, new areas suitable for this type of infrastructure will be needed. Depending on the positioning of the last-mile network towers, access roads may need to be opened up, and land cleared to provide a cleared space for their construction. The towers will be constructed from pre-fabricated material.
- 2.5 The bidding process is expected to occur in June 2016, the contract will be awarded by October 2016, and the construction will start by December 2016. The length of the construction is expected to take 6 months.
- 2.6 Associated facilities: Some of the ENATREL's network does not exist yet, and there is at least one section that this project is dependent upon: a new Transmission line linking the main grid at Mulukuku with the site of a planned 253MW hydroelectric facility at Tumarín (Figure 3).

**Figure 3: The location of key the new transmission line at Tumarín**



## **B. Environmental and Social Setting**

- 2.7 As shown in Figure 1, the project is distributed throughout the whole extension of Nicaragua covering the Pacific, Central and Atlantic Regions. The new fiber optic installations that will be part of the backbone network will extend through the 72 municipalities of these aforementioned regions.
- 2.8 Much of the country has been already impacted by human activities, primarily by agriculture and cattle grazing. The majority of the Nicaraguan municipalities have already installed transmission lines, street light posts, and telephone poles. The low and medium transmission lines are located along existing roads, while the high transmission lines that do not follow roads have their own rights of way.
- 2.9 Much of the landscape of the surrounding areas containing the new fiber optic installations appears to be mostly composed of agriculture, pasture and cattle grazing lands. Many

roads have trees planted along their lengths by the landowners to protect and provide shade to neighboring home sites.

### **Protected areas**

- 2.10 The project has sections that fall within or border 15 areas important for biodiversity conservation, including 3 Biosphere reserves, 9 national protected areas and 3 Important Bird Areas (Figure 1b). These areas are considered as Critical Natural Habitat according to IDB policy. These areas are already crossed by roads, and it is likely that in most cases there are also existing transmission lines going through these areas.

### **Social Setting**

- 2.11 There are 72 municipalities containing city centers and communities that are close to the project. The majority of routes that will contain the fiber optic cable are located near private lands. It is not anticipated that the project will affect these private lands or that there will be land use conversion as result of the project. In the case of needing to obtain the right of access to properties, the executing agency will be responsible for the acquisition of access permits and land use payments to property owners.
- 2.12 Local communities depend on agriculture and cattle ranching as their main source of income. The majority of the houses and communities in the impacted areas have electricity, telephone and running water, as well as social services like health care and schools.
- 2.13 Around 8.6 % of Nicaragua's population belongs to indigenous communities. Given that the project area covers a wide extent, indigenous communities may be affected.

### **C. Project Schedule and Workforce**

- 2.14 Based on information provided in the project documentation and gathered during the due diligence mission, construction of the project is expected to begin in December 2016 with an estimated 6 month construction period. Currently the project has not obtained all the necessary permits including the environmental license to begin construction.
- 2.15 A peak workforce of approximately 60 people is expected during construction. The workforce will be personnel of the company that will win the bidding. The workforce will be local and no worker camps will be constructed on the site. Due to type of activities required during the installation of the fiber optic, is anticipated that 3 crews of 10 technicians will be required per stretch installed. For the last-mile network towers, access roads and land cleared is anticipated to be required 4 crews of 10 technicians per site.

### **D. Alternative Analysis**

- 2.16 The Environmental and Social Impact of the project only analyzes the proposed activities as the new infrastructure, backbone network and last-mile will involve installation along the existing electricity network there is no alternative analysis possible.

### 3. COMPLIANCE STATUS AND PROJECT STANDARDS

#### A. Environmental and Social Appraisal Process:

- 3.1 The Environment Law (Act) No. 217 of the Republic of Nicaragua has the fundamental objective to protect and conserve the environment while seeking to improve environmental conditions related to the state's population and livelihood. The Ministry of Environment and Natural Resources (MARENA) establishes that all projects must be developed under applicable environmental regulations. It also establishes the need for categorization of the project according to the expected level of impact. A subsequent environmental license must be approved prior to any works by the Environmental Authorities.
- 3.2 The Empresa Nacional de Transmisión Eléctrica (ENATREL) through their Executive Unit will be responsible to develop the corresponding studies that will include the Environmental and Social Assessment mandated by Law. It will be also responsible for the correct project categorization and environmental license needed.
- 3.3 Under Nicaraguan legislation this project is considered of low risk and do not require an Environmental Impact Assessment. Necessary permit is required though but will be issued by each involved municipality in response to the submission of an 'environmental form'.

#### B. IDB Policies and Directives

- 3.4 The Project triggers the following directives of IDB's OP-703 Environmental and Safeguards Policy: B.1, Bank Policies; B.2, Country Laws and Regulations; B.3, Screening and Classification; B.5, Environmental Assessment Requirements; B.6., Consultations; B.7, Supervision and Compliance; B.9 Natural Habitats and Cultural Sites; B.10 Hazardous Materials; B.11 Pollution Prevention; and B.15 Co-Financing Operations. The OP-102, Disclosure of Information Policy also applies for this Project. It does not appear that any physical resettlement will occur in relation to the Project. The Project has been classified by the Bank as a Category B operation.
- 3.5 Table 1, below, illustrates the Project's capacity to comply with IDB's various policies and directives.

**Table 1: Project Component Information**

Policy / Directive	Applicable Aspect	Compliance Rationale
<b>OP-703 Environmental and Safeguards Compliance</b>		
B.1 Bank Policies	Compliance with applicable IDB policies	The project is currently fulfilling commitments made to the Bank in



		order to be in full compliance with all IDB policies and directives.
B.2 Country laws	Compliance with country laws and regulations	The project is currently in compliance with Nicaraguan laws and regulations.
B.3 Screening and Classification	Application of appropriate classification	The Project has been screened for its potential environmental and social impacts and has been classified as a Category B operation.
B.5 EA Requirements	Application of adequate assessment process	In accordance with the Bank policies for Category B projects, an Environmental & Social Impact Assessment was prepared for the project. Under Nicaraguan legislation this project is considered of low risk and does not require an Environmental Impact Assessment. However, Nicaraguan Law does require that an environmental license to be issued by each municipality.
B.6 Consultations	Project has undergone appropriate public consultation	The project has conducted public consultation meetings with the local communities. To date, the community supports the operation.
B.7 Supervision and Compliance	Internal supervision and reporting	The Executing Agency will submit quarterly compliance reports during construction and annual compliance reports during operations.
B.9 Natural Habitats and Cultural Sites	Conversion of natural habitat and cultural sites	Project components will pass through areas of Natural Habitat and Critical Natural Habitat. Unless extensive stretches of new infrastructure is needed in these areas, there is unlikely to be any significant conversion. Careful positioning of the 'last mile' towers will be important to avoid and minimize impact to Natural Habitat and Cultural sites, both due to the siting, and the access to the tower.
B.11 Pollution	Pollution control	The Borrower and the Executing

Prevention		Agency will comply with local laws.
B.15 Co-Financing Operations	In process	The co-lender in this operation is the Government of Korea through the Korea Infrastructure Development Co-financing Facility for Latin America and the Caribbean. A single EA process has been followed in accordance with IDB policies.
<b>OP-710 Involuntary Resettlement</b>	In process	No involuntary resettlement in the form of physical displacement is expected as a result of the project. However, temporary economic displacement during construction may occur and must be compensated fully in accordance with IDB policies
<b>OP-704 Disaster Risk Management Policy</b>	In process	Nicaragua is at risk from natural disasters and a disaster risk management plan should be included in the ESMP.
<b>OP-270 Gender Equality</b>	Avoiding gender discrimination within the Project or as a result of the Project. Providing opportunities for women.	Women will be priority beneficiaries of the Pilot programs developed in Component III of the program (developing the use of broadband in health and agribusiness). The gender component of those pilot programs will be coordinated by the Ministry of Women.
<b>OP-102 Access to Information Policy</b>	Project information disclosure	The project has adequately disseminated information in the local community. Public consultation meetings have occurred. IDB will also make relevant project information available on its website.

### C. Project Standards and Requirements

- 3.6 The company awarded the tender will carry out the project according the Nicaraguan Law and the Environmental and Social Management Plan (ESMP). The engineering works plan must include exact position coordinates using longitude and latitude for locations of the

new posts, last mile towers and access roads and all new infrastructures must comply with the following: New infrastructure will use existing infrastructure for both the backbone and last mile network. In areas of critical natural habitat, new infrastructure will be constructed outside of protected areas within the existing right of way of roads. The siting of the last-mile network towers and access roads must avoid critical natural habitat; if this is not possible, the impact must be minimized by siting new infrastructure on already converted land.

- 3.7 The Project will follow a project-specific ESMP. The ESMP shall also outline other compliance information including Environmental Health and Safety (EHS), Natural Disaster Risk (NDR) and monitoring and auditing.
- 3.8 At present the exact location of the 'last-mile' towers has not been established, thus the expected impact is to date unknown, and could result in non-compliance with B9.

#### **4. ENVIRONMENTAL AND SOCIAL IMPACTS AND RISKS AND MITIGATION**

##### **A. Summary of Key Environmental and Social Impacts and Risks**

- 4.1 Key impacts relate to new infrastructure that will be installed. This includes new posts for fiber optic cables and the construction of c100 towers and access roads for the last mile network. The environmental and social risks that will result from these activities are expected to be low as the project will primarily use existing infrastructure.
- 4.2 The siting of the new infrastructure (new posts, towers and access roads) will be key to reduce impact on critical natural habitat, natural habitat and cultural sites. Any economic displacement of individuals must be compensated accordingly.

##### **B. Environmental Impacts and Risks**

- 4.3 Potential negative environmental impacts and risks during the construction phase will be mainly associated with the erection of the new towers and the access roads. Main construction impacts are: (i) habitat disturbance; (ii) soil erosion; (iii) dust generation; (iv) increase in heavy traffic; (v) noise; (vi) loss of vegetation; (vii) occupational health and safety hazards for the workforce; and (viii) visual impacts to surrounding residents. These impacts and risks can be adequately mitigated through the implementation of appropriate management plans.
- 4.4 **Backbone network:** Construction – the hanging of new cables to existing infrastructure will require access to the ENATREL network and right of way. The clearing of any native vegetation for this should be avoided. Operation – there is a risk of bird and bat collision on cables. These can be mitigated through appropriate bird-scaring mechanisms.
- 4.5 If extensive stretches of new infrastructure and rights of way is necessary in Critical Natural Habitat there could be a risk of impacting these areas. Any new infrastructure must be located within the right of way of existing roads.

- 4.6 **Last mile network:** Construction– Potential impacts on cultural heritage, CNH and NH. As the sites have not been chosen yet there is the potential to avoid impacts by micro-siting of the towers. Location of towers within protected areas, and areas of high biodiversity value should be avoided. If this is not possible, impact should be minimized by positioning the towers on land that has already been cleared. No native vegetation should be removed for either the towers or the access roads. Archeological surveys should also be carried out before construction and appropriate mitigation action taken. Operation – there is a risk of bird and bat collision on guy-lines. These can be mitigated through appropriate bird-scaring mechanisms.
- 4.7 The siting of the last-mile network towers and access roads should be carried out in such a way as to avoid Critical Natural Habitat and Cultural sites. If this is not possible to minimize impact by siting new infrastructure on already converted land. No native vegetation should be removed for access road construction.
- 4.8 **Associated facilities:** The section of ENATREL network from Mulukuku to Tumarín is still only in planning phase (Figure 2). Without this section, the fiber optic cable from Substation Tumarín to La Cruz de Río Grande will not be able to function. This section of the network will be the transmission line for the planned 253MW hydroelectric facility at Tumarín that is still in the planning phase. The EIA for the transmission line will need to be acceptable to the Bank in order for this section of fiber optic to be included in the operation.
- 4.9 Potential noise impacts caused by the installation of the new infrastructure is not expected to be significant; however, the potential areas that will require more construction activities due to the last mile network will be further verified and monitored to confirm that noise levels do not exceed accepted standards.
- 4.10 Community health and safety hazards specific to the project are related to public access and the amount of heavy equipment and large vehicles required to transport posts, fiber optic cables and other material and have been adequately addressed in the Project's Environmental Management Plan, including adopting appropriate risk prevention procedures and emergency planning during construction. Traffic management will need to be monitored throughout the construction process.

## C. Social Impacts and Risks

- 4.11 **Backbone network:** Construction – hanging of the new cable to existing infrastructure will require access to ENATREL network and right of way. Several land owners may experience short lived economic displacement during the construction phase. Any compensation packages must be consistent with IDB policies and Nicaraguan law. There are no risks associated to the operation phase.
- 4.12 **Last mile network:** Construction– The project has not yet identified the lands for the siting of towers and access roads. It is likely that some land acquisition and physical displacement may be necessary for this phase depending on the siting of the towers. Any compensation packages must be consistent with IDB policies, as well as Nicaraguan law. There are no significant risks associated to the operation phase.

#### **D. Cumulative Impacts**

- 4.13 It is unlikely that any significant cumulative impacts will be associated with this project due to the nature of the activities that will be financed.

#### **E. Natural Disaster Risks**

- 4.14 The nature of the project does not exacerbate natural disaster risk issues. Nevertheless, given that Nicaragua is prone to natural disasters that could impact the functioning of the fiber optic cables such as earthquakes, floods, volcano activity. A Natural Disasters Risk assessment should be included within the ESMP so that the Executing Agency will have taken in consideration for the optimal functioning of the Project.

#### **F. Positive Impacts**

- 4.15 The project will provide internet access to 72 municipalities. It will benefit: (i) 276 health centers, which represent 22% of the total in Nicaragua; and (ii) 100 telecentres that will be deployed in rural municipalities that have economic conditions that difficult the adoption of broadband services.
- 4.16 The project will also benefit 328,000 households and 53,000 enterprises (36% of the households and companies in Nicaragua and 47% of the municipalities) distributed in the following departments: Atlántico Norte (6), Atlántico Sur (4), Boaco (6), Carazo (1), Chinandega (12), Chontales (4), Estelí (1), Granada (2), Jinotega (2), León (9), Madriz (4), Managua (5), Masaya (7) and Matagalpa (9).

### **5. MANAGEMENT AND MONITORING OF ENVIRONMENTAL, SOCIAL, HEALTH AND SAFETY AND LABOR IMPACTS AND RISKS**

#### **A. Description of Management Systems and Plans**

- 5.1 The Project will operate under the ESMP developed within the EA in line with the Bank's policies regarding Environmental Management Systems. The ESMP includes regular monitoring of the facilities and quarterly reports will be prepared during construction concerning noise, air emissions, traffic issues, waste management, health, safety and labor performance, trainings, as well as other issues. Detailed logs will be maintained to document worker trainings, worker health certificates, work site incidents and accidents, waste registers, and vehicle maintenance. The ESMP will be revised to include IFC's Environmental, Health and Safety Guidelines for Telecommunications, and should include the Natural Disaster Risk Management Plan. A quarterly report will be provided to the Bank during construction.
- 5.2 The most relevant social activities implemented by the Borrower to develop a good relationship with the local communities include:

- i. **Public Consultations.** The Project has already conducted public consultation meetings with community members and local authorities. The consultation sessions provided an opportunity for interested people to learn about the project and have their doubts and concerns addressed by company representatives. Community engagement will continue through the construction phase.
- ii. **Community Relations Plan.** The coverage of this plan includes both backbone network and the last mile activities. Its goal is to establish community participation mechanisms and build positive relationships with interested groups to avoid or minimize potential social conflict situations during project execution. This plan provides both a general framework and specific procedural guidance for a continuous dialogue between the local population and representatives of the company.
- iii. **Grievance Mechanism.** The project has implemented a Grievance Mechanism to allow stakeholders an opportunity to voice their opinions, concerns, complaints, or comments outside of the public consultation meetings and throughout the construction phase of the project. These comments will be recorded, as well as the Project's responses to these comments. Issues will be tracked to determine how the Project responds to complaints and interacts with the complainant to resolve outstanding issues. The Grievance Mechanism will be accessible to individuals impacted by the project.

## **B. Monitoring and Supervision**

- 5.3 This project includes different levels of supervision. The most relevant ones include (i) Internal project supervision during the construction phase conducted by the Borrower; (ii) Bank supervision, carried out regularly by the project team.
- 5.4 The Borrower will conduct quarterly internal audits and send quarterly EHS, NDR and monitoring reports to the IDB during the construction phase, and semi-annual during the first year of the operation phase.
- 5.5 The Bank will conduct semi-annual supervision missions during the construction phase and one annual mission during the first year of the operating phase.

## **C. Environmental and Social Safeguard Performance Indicators**

- 5.6 In the case of environmental and social indicators, the projects will be assessed in terms of compliance with the IDB Safeguard Policies and compliance with local regulations.

## **6. REQUIREMENTS TO BE INCLUDED IN THE LEGAL AGREEMENTS**

- 6.1 The conditions described below only apply to Component 1 of the project to the extent no infrastructure is contemplated to be financed under Component 2 and/or Component 3. Such conditions are required to be fulfilled at different stages throughout the life of the loan, in form and substance satisfactory to IDB, as further described below.

## **Prior to First Disbursement**

- 6.2 The restrictions described below for new infrastructure must be included in the Terms of Reference as conditions for the bidding process.
- 6.3 The project shall use existing infrastructure (posts, towers, rights of way and access roads) for both the backbone and last mile network. In areas where there is no existing infrastructure, the location of new infrastructure must follow existing roads. No new roads or access roads will be opened for the backbone network.
- 6.4 In Critical Natural Habitat<sup>1</sup> the backbone network shall follow existing roads and shall be placed within the existing right of way on existing infrastructure. No new infrastructure shall be placed inside such habitats. The siting of the last-mile network towers and access roads must avoid critical natural habitat; if this is not possible, the impact must be minimized by siting new infrastructure on already converted land.
- 6.5 In the event that it is not possible to comply with these conditions, the Borrower and the Executing Agency must discuss these exceptions on a case-by-case basis with ESG specialists.
- 6.6 The Borrower shall provide detailed bidding documents to ESG for their revision and approval. Such bidding document shall contain: (1) the engineering works plan; and (2) exact longitude and latitude coordinates for locations of the new posts, last mile towers and access roads.
- 6.7 A revised ESMP included in an EIA shall be presented by ENATREL for approval to the Bank. Both shall reflect the restrictions to the positioning of new infrastructure as per 6.3 and 6.4. The revised ESMP shall also follow best practices as set forth in the IFC Environmental, Health and Safety Guidelines for Telecommunications.
- 6.8 ENATREL, in its capacity as Executing Agency shall demonstrate to the Bank that all pending land use permits have been obtained. Copies of relevant permits, contracts, and agreements shall be submitted to the Bank.
- 6.9 ENATREL, in its capacity as Executing Agency shall demonstrate that any land purchase and any compensation for economic displacement are carried out according to IDB policy of Involuntary Resettlement (OP-710).
- 6.10 ENATREL, in its capacity as Executing Agency shall show evidence of the contracting of an independent environmental and social consultant, who shall certify compliance with the ESMP and EHS requirements.

## **Prior to beginning construction work of Component 1**

- 6.11 The Borrower itself or through the Executing Agency shall provide evidence satisfactory to the Bank that the following condition has been fulfilled: ENATREL, in its capacity as Executing Agency shall incorporate into all contractors' contracts detailed regulations and penalties for non-compliance by such contractors with policies, plans and programs

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<sup>1</sup> Critical natural habitats are (i) existing protected areas, areas officially proposed by governments for protection or sites that maintain conditions that are vital for the viability of the aforementioned areas; and (ii) unprotected areas of known high conservation value.

(including mitigation measures) applicable to the project. This will include detailed procedures and timeframes for reporting environmental, health and safety related incidents/accidents and a specific monitoring program to assess causes of incidents/accidents and track performance of the corrective measures.

### **Throughout the Life of the Loan**

- 6.13 The IDB will require that the Project and each party involved in the project including construction companies and operators, and any contractors and sub-contractors at all times during the life of the Loan Agreement, comply with the requirements described below.
  - 6.13.1 All applicable environmental, social, health and safety, and labor regulatory requirements of Nicaragua.
  - 6.13.2 All requirements associated with any environmental, social, health and safety, and labor related permits, authorizations, or licenses that apply to the Project, the Borrower or any party responsible for executing the Project or its mitigation measures.
  - 6.13.3 All environmental, social, health and safety, and labor requirements of the Project contracts and any subsequent modifications.
  - 6.13.4 All relevant IDB policies such as the Environment and Safeguards Compliance Policy (OP-703), the Disaster Risk Management Policy (OP-704) and the Disclosure of Information Policy (OP-102), the Involuntary Resettlement policy (OP-710), and the Gender and Equity in Development Policy (OP-270) and their respective guidelines.
  - 6.13.5 All aspects and components of all of the Project's ESMP, EHS and NDR documents. The requirements indicated in the ESMP should follow guidelines laid out in IFC's Environmental, Health and Safety Guidelines for Telecommunications.
- 6.13 ENATREL, in its capacity as Executing Agency, shall provide evidence of supervision and oversight of the contractors for the implementation of Component I.
- 6.14 ENATREL, in its capacity as Executing Agency will submit on a quarterly basis during the construction phase of the works of Component I, *and* semiannually during the first year of the operation phase of such works, a report certifying compliance with the requirements of the ESMP, EHS and NDR of the project, including any corrective action plan, if applicable.