

**GUANILLO WIND POWER PROJECT
ENVIRONMENTAL AND SOCIAL STRATEGY¹ – DRAFT**

I. PROJECT DESCRIPTION

- 1.1** Parques Eólicos del Caribe (PECASA), the Borrower, is seeking financing from IDB (up to US\$ 31 Million) for the construction, operation and maintenance of a 50 MW wind farm and associated infrastructures to be built in the province of MonteCristi in Dominican Republic (the “Project”). Total project’s costs are estimated at US \$ 94 Million.
- 1.2** The wind farm will be located in the Sierra de Guanillo which is within the administrative borders of the municipality of el Copey in the province of Monte Cristi (see Map 1 and Map 2). The Project entails the implementation or construction of the following components: i) 25 turbines of 2MW installed capacity each; ii) a transmission line of 16km (138KV) to connect the wind farm to the national grid; and iii) civil engineering works consisting of access roads, substations and a control station, foundations and platforms for the wind turbines.
- 1.3** The total workforce for the Project is unknown at this time. Construction activities are expected to start in 2011.

II. INSTITUTIONAL AND REGULATORY CONTEXT²

- 2.1** In 2003, the Borrower presented an Environmental Impact Assessment (DIA) to the environmental authorities. On January 23, 2004, SEMARENA issued the environmental license for the project. However, since 2003, the scope of the project has significantly changed and the EIA presented to the authorities contains outdated information and do not offer an adequate coverage of the environmental and social baseline data and impacts of the project. The Borrower has stated that authorities did not request an updated version of the EIA to take into account the changes and given that, the license was still valid.
- 2.2** The Project triggers numerous directives of IDB’s OP-703 Environmental and Safeguards Policy: B.2, Country Laws and Regulations; B.3, Screening and Classification (Project categorization may changed); B.4, Other Risks Factors (client’s capacity and commitment to address and manage environmental matters); B.5, Environmental Assessment (the EIA prepared in 2003 does not fully meet the requirements of this Directive); B.6., Consultation (evidence of consultation with affected parties regarding the Project’s current scope of work); B.7, Supervision and Compliance; and B.12, Project under construction, as construction works are expected to be initiated during the Due Diligence process. The OP-702, Disclosure of Information Policy also applies for this Project. The application of Directive B.9 on Natural Habitat will have to be determined once avian studies are available. It is not expected that OP-710 on Involuntary

² This section would be complete during the due diligence process as we are unclear, given the changes in project scope of work, on the status of the project’s requirements at the institutional and regulatory levels.

resettlement will apply for this project. However, the Due Diligence will examine if land acquisition is required for the Right of Way of the transmission line.

- 2.3. Based on available information, the Project had been classified as a Category B operation.

III. KEY POTENTIAL ENVIRONMENTAL AND SOCIAL IMPACTS AND RISKS

- 3.1 Given the modification of the project design and taking into account that most of the data presented in the EIA was collected in 2003, additional environmental assessment information is required to complete the Due Diligence process. A detailed list of information request was sent to the Borrower on September 29, 2010. It is expected that the Borrower will provide information during the Due Diligence period. This information will allow us to determine the extent of environmental and social impacts of the project.
- 3.2 Based on information presented in the EIA of 2003, it appears that numerous species of birds present in the project area are either endemic or vulnerable. In addition, two species of mammals and two species of reptiles are in danger of extinction according to Dominican Republic legislation on protected species. The precise location of these species is unknown. Based on our preliminary research in the publicly available information, an Important Bird Area (IBA) had been found in the region of the Project site. The Cayos Siete Hermanos is an IBA which consist of small barren islands. It is located 15-20 km Northwest of the project site. This IBA is significant for its breeding seabirds, with the population of Bridled Tern *Sterna anaethetus* being globally important and that of Brown Noddy *Anous stolidus* regionally so. Other species such as Sooty Tern *S. fuscata* also nest on the islands. The most significant seabird colonies are reported from Monte Chico and Ratas islands, with nesting primarily concentrated between May and August. The Due Diligence will investigate if birds population present within this IBA could be affected by the project.

IV. ENVIRONMENTAL AND SOCIAL DUE DILIGENCE STRATEGY

- 4.1 Taking into account the requirements outlined in IDB's OP 703 Environment and Safeguards Compliance Policy, the Team proposes that the Bani Wind Power Project be classified as a Category B. Project's categorization may change during the Due Diligence process given that the Project has been substantially modified and, to date, environmental and social information and impacts have not been updated accordingly.
- 4.2 The Bank will perform an Environmental and Social Due Diligence ("ESDD") in order to confirm that all Projects relevant impacts and risks have been, or will be properly and adequately evaluated, and mitigated.
- 4.3 The environmental and social Due Diligence for the Project will specifically address the following aspects:
 - a. Review of updated environmental and socio-economic baseline data once available. Determination if environmental and social impacts have been properly assessed given the changes in the scope of work of the project, and elaboration of additional information required.
 - b. Review of avian studies once available;

- c. Determine if bird population present in the IBA Cayos Siete Hermanos will be impacted by the Project;
- d. Determine the significance of impacts of the project on terrestrial fauna (with a specific attention to those identified as in danger of extinction per the Dominican Republic legislation);
- e. Assessment of cumulative impacts on migratory birds, and development of an appropriate mitigation mechanism comprising real time monitoring of birds during migratory seasons and a wind turbine generators shut down procedure;
- f. Potential adverse impacts on terrestrial ecosystems as a result of construction activities i.e. Transmission line; towers; and access roads.
- g. Potential adverse socio-economic impacts of: land acquisition; construction activities; temporary loss of access to agricultural land; once further information on land acquisition required for the installation of wind towers
- h. Assessment on the adequacy and timely consultation and information dissemination process with affected parties of the current project.
- i. Review of the Environmental and Social Management Plan (ESMP), the ESMP should be ready for, and reviewed during the Due Diligence process.
- j. Determination if the Project has been designed and carried out in compliance with environmental law and regulations of Dominican Republic. Written evidence from the authorities stating that permit granted in 2004 is still valid. In addition, a review of the additional requirements, if any, set by authorities since 2004, would be required.
- k. Assessment of the client's capacity and commitment to address and manage environmental matters through the review the Company's Environmental, Health and Safety Management System, including plans and procedures, to assess their adequacy in terms of responsibilities, training, auditing, reporting, and resources to be made available to ensure adequate implementation.
- l. An evaluation, and further development as necessary, of Project execution monitoring and supervision procedures to ensure proper implementation of environmental, social, health and safety and labor actions and requirements;
- m. Confirm project's category based on updated environmental and social information.
- n. Assessment of the Project's compliance with all relevant safeguards directives of the IDB's Environment and Safeguards Compliance Policy, and development of an Action Plan for the timely resolution of non-compliances;

4.4 As part of the ESDD process, the Project Team will analyze the environmental and social aspects of the Project and prepare an Environmental and Social Management Report ("ESMR").

Map 1. Location of Guanillo Wind Power Project



Map 2. Guanillo wind farm concession,