



MEMORANDUM

File classification: MICI-BID-EC-2018-0131

Date: May 30, 2018

To: Victoria Márquez-Mees, MICI Director

From: Rigoberto Ariel Yepez-García, Chief of the Energy Division (INE/ENE)

CC: Executive Vice President, Vice President for Countries, Vice President for Sectors and Knowledge, Infrastructure and Energy Sector Manager, Manager of the Andean Country Group, Country Representative in Ecuador, Chief of the Energy Division, Chief of the Environmental Safeguards Unit, and Chief of the Sovereign Guaranteed Operations Division of the Legal Department

Re: Management Response to the Notice of Request Registration and Request for Management Response, Request MICI-BID-EC-2018-0131 in reference to Loan Contract No. 3906/OC-EC "Program for the Reconstruction of Electricity Infrastructure in Areas Affected by the Earthquake in Ecuador"

I. Introduction

1. The purpose of this memorandum is to present the Response of the Bank's Management (hereinafter "Management") to the document "Notice of Request Registration and Request for Management Response" (hereinafter "Notice"), sent by MICI to Management via e-mail on April 30, 2018 in connection with case MICI-BID-EC-2018-0131 concerning the "Program for the Reconstruction of Electricity Infrastructure in Areas Affected by the Earthquake in Ecuador" (EC-L1219) (hereinafter the "Program").

II. Background

2. The Program was included in the Bank's pipeline in 2016, and approved by the Board of Executive Directors on January 25, 2017. It is financed through a Sovereign Guaranteed operation consisting of a Global of Multiple Works (GOM) investment loan in the amount of US\$ 60,000,000. The Loan Contract between the Republic of Ecuador and the Bank was signed on April 18, 2017 and the Program reached disbursement eligibility on October 17, 2017. To date (May 2018), the Bank has disbursed 51.27% of the loan proceeds.

3. On April 16, 2016, an earthquake measuring 7.8 on the moment magnitude scale struck the province of Manabí, with its epicenter in the areas of Cojimíes and Pedernales in the province of Manabí on Ecuador's coast. The intensity of the quake was greater in the northwest of the country, affecting fourteen cantons in the provinces of Manabí, Esmeraldas, and Santo Domingo.
4. The Program's overall objective is to improve electricity service by rebuilding electricity infrastructure, in the earthquake-affected provinces of Esmeraldas, Manabí, and Santo Domingo, incorporating earthquake-resistant features. The specific objectives are as follows: (i) to help reestablish electricity supply in the subtransmission systems of electricity distribution companies (EDCs) affected by the earthquake; and (ii) to facilitate the reliable supply of electricity service to end users by implementing distribution projects. The Program comprises the following components:
5. **Component I. Comprehensive reconstruction plan for the 69-kV electrical power subtransmission system (US\$47.18 million).** This component finances the relocation/reconstruction of 27 subtransmission projects with improved earthquake-resistant features: (i) 7 projects in the province of Esmeraldas, with 28km of subtransmission lines (STLs) and 5 substations (including the Propicia-Atacames and Santos Vainas-Las Palmas STLs and the Atacames and Tonsupa substations); (ii) 12 projects in the province of Manabí, with 107 km of STLs and 8 substations (including the Rocafuerte-Tosagua and Tosagua-San Vicente STLs and the San Vicente, Bahía, and Playa Prieta substations); and (iii) 8 projects in the province of Santo Domingo, with 35 km of STLs and 5 substations (including the San Vicente-Jama and Sesme-Flavio Alfaro STLs and the Pedernales and Jama substations).
6. **Component II. Comprehensive reconstruction plan for the electrical power distribution system (US\$20.91 million).** This component supports the reconstruction of electrical power distribution infrastructure with improved earthquake-resistant features, contributing to the reliability of the National Distribution Network (NDN) in all of its functional stages (through to the end user). It finances the reconstruction of 26 distribution system projects (13.8 kV/0.22 kV) in affected population centers and outlying areas, consisting of: (i) 6 projects in the province of Esmeraldas (including 13.8-kV feeder lines belonging to the El Salto-Atacames subsystem and the strengthening of the Borbón-Cacagual and Rocafuerte-Lagarto systems); (ii) 9 projects in the province of Manabí (including the reconstruction of feeder lines for the Calceta, San Vicente, and Bahía substations, the reconstruction/repowering of distribution feeders in the canton of Portoviejo, and strengthening of the distribution system in Manta); and (iii) 11 projects in the province of Santo Domingo (including reconstruction of the Pedernales Centro feeder and the Palmares and Jama-San Isidro distribution subsystems).
7. In accordance with the provisions of the Environment and Safeguards Compliance Policy (OP-703), the Program was classified as category B based on the environmental and social impacts identified during the preparation process.
8. The subproject at issue in the Request that was filed with MICI concerns the relocation of 9 kilometers of a subtransmission line between the towns of San Vicente and Jama. This subproject is part of Component I of the Program. The work began partially, and some posts were installed along the first three kilometers of the line; however, the Program's executing agency immediately halted construction activities once the Requesters' complaint to MICI became known, and it is in the process of removing the posts that had already been erected.

9. As indicated in paragraph 2.1 and footnote 28 of the Loan Proposal for the Program, of the 53 projects submitted and evaluated during the preparation phase, 43% had final designs, equivalent to 49% of the Program amount. Technical information was available for all the Program's projects, however, to ensure that bidding documents could be prepared for execution to begin immediately, the subprojects were evaluated based on the degree of completion of such information, as follows: (i) Total Compliance: projects for which all technical and environmental documents were available; (ii) Substantial Compliance: projects for which most technical and environmental documents were available; and (iii) Partial Compliance: projects that required final approved technical and/or environmental documents.

III. MICI Complaint

10. On April 30, 2018, the MICI Director submitted to Management the Notice of Request Registration and Request for Management Response, Request MICI-IDB-EC-2018-0131 concerning the "Program for the Reconstruction of Electricity Infrastructure in Areas Affected by the Earthquake in Ecuador" (EC-L1219). The Request was submitted by an individual representing a group of people affected by the Project for the Reconstruction and Relocation of 9 km of the San Vicente Jama Subtransmission Line who allege potential harm to the community's health, risks associated with earthquakes and landslides, and economic harm. They further allege that the executing agency failed to conduct adequate public outreach about the work.
11. This complaint had already been filed previously with the executing agency and the Bank by a group of residents living near the subtransmission line. As a result, several meetings were held between the executing agency, the Office of the Mayor of San Vicente, and the community. On September 29, 2017, a meeting and tour of the route was conducted with representatives of the affected parties, local authorities, and the executing agency to evaluate alternatives for its location. The parties agreed to continue with the public outreach process based on a technical and economic feasibility analysis of the identified alternatives, the result of which was presented to the community on December 7, 2017. On March 26, 2018, a group of affected parties sent a note to the Bank requesting its intervention to make changes in the design of the subtransmission line; the Bank forwarded that note to the executing agency requesting its assistance.

III. Actions taken by Management

12. On May 10 and 11, 2018, the Bank conducted a mission to the project site referred to in the MICI Request, consisting of the operation's Team Leader and a VPS/ESG specialist. A meeting was held on Thursday, May 10, with a group of affected people in the canton of San Vicente, in the area known as Comunidad Extranjera. Some eleven community members participated in this meeting, including the individual who sent the communication to MICI. The meeting consisted of listening to those affected in order to understand the reasons for their complaints and grievances, and what led them to submit the Request to MICI. During the dialogue, all the affected parties focused on three main aspects:

Lack of information. The participants stated that they had requested official information from the Program's executing agency (National Electricity Corporation [*Corporación Nacional de Electricidad*] - CNEL), such as: environmental and social assessments, technical disaster risk assessments, and other assessments or documents from

government institutions providing detailed explanations and addressing concerns about matters such as alternative routes for the transmission line.

Disaster risks. Those affected expressed concern about the lack of information on the stability of the mountain slopes and embankments across from their homes. Because the line would run along the side of the road leading to the mountain, the affected parties argue that the posts of the subtransmission line could be knocked down in the event of a landslide, reaching their homes.

Public consultation process. The affected parties say that an adequate citizen participation process has not been carried out because no environmental and social assessment was submitted prior to the convening of a meeting. Moreover, the meeting was attended by very few people, and no formal invitation or communication had been sent out in the days leading up to it.

13. According to statements made by the group of affected persons to the Bank's mission, they have not yet filed any lawsuits regarding this issue, as all complaints and concerns have been directed through letters to government institutions, the Bank, and the MICI.
14. As a result of this meeting, the Bank's team agreed with the affected group to provide all official technical, environmental, social, and disaster risk documentation available for the 9 km line project. In the absence of such information, the Bank will ask the executing agency to prepare the appropriate documents and reports. The approximate date of delivery of this information will be confirmed with the affected parties, and a new public hearing will then be held with all the stakeholders involved.
15. On the same day, after the meeting with the affected parties, the Bank's team met with members of the San Vicente Mayor's Office, including the Mayor, and with members of the National Electricity Corporation (CNEL), the project's executing agency. As a result of this meeting, it was agreed that the construction of the subtransmission line would be temporarily suspended until an environmental and social assessment—including the study of alternatives to the line's route—and a disaster risk assessment were carried out, as well as a meaningful consultation process.
16. On Friday, May 11, the Bank's team held a meeting with the head of the Undersecretariat of Energy Distribution and Marketing (SDCE) of the Ministry of Electricity and Renewable Energy (MEER) and her technical team in the city of Quito, in which the agreements reached with the group of affected parties, CNEL, and the Office of the Mayor of San Vicente were confirmed and the attached Action Plan was agreed upon. On May 29, 2018, the SDCE sent the Bank an official letter confirming its agreement with the Action Plan (see Annex II).

IV. Request for temporary suspension of the process

Based on the above-described results of the Bank's mission and the agreements reached with the parties during the mission, as well as on the provisions of Article 23(c) of the Policy of the Independent Consultation and Investigation Mechanism (MI-47-6), Management requests a temporary suspension of the eligibility determination process in this case for a period of forty-five (45) business days from the date of receipt of this Response by Management, in order to implement the Action Plan attached in Annex I.

Annex I: Proposed Action Plan

Annex II: Official Letter MEER-SDCE-2018-0623-OF

ANNEX I
ACTION PLAN

Action	Responsible Entity	Output	Date (2018)
Halting of the construction of the 9km line	CNEL	Halting of activities	Immediate – May 11
Form a working group to coordinate the development of a disaster risk analysis	CNEL and institutions responsible for disaster risk issues	CNEL statement on the strategy to address disaster risk analysis in the mountain area	May 21
Submit terms of reference of the environmental and social assessment to the Bank for review	CNEL	Terms of Reference	Week of May 21
Publication of the Terms of Reference of the environmental and social assessment	CNEL/IDB	Publication on CNEL and IDB websites	Week of June 4
Award of the contract to a contracting firm for preparation of an environmental and social assessment of the 9km project	CNEL	Send proof of the contract award to the Bank	June 8 award deadline
Prepare a preliminary version of the environmental and social assessment. This assessment will include the four (4) route alternatives.	CNEL	Preliminary version of the environmental and social assessment	June 11 delivery date to the Bank
Develop preliminary version of disaster risk analysis	CNEL	Preliminary version of disaster risk analysis	June 11 delivery date to the Bank
Submit first version of the environmental and social assessment, including environmental and	CNEL	First version of the environmental and social assessment	June 25

social management plan, to the Bank			
Submit first version of disaster risk analysis	CNEL	First version of the environmental and social analysis, including environmental and social management plan	June 25
The Bank reviews environmental and social assessment and disaster risk analysis and submits observations	IDB	The Bank's observations and recommendations	June 29
Submit updated version of the environmental and social assessment and disaster risk analysis with observations from the Bank	CNEL	Updated version of the environmental and social assessment and disaster risk analysis	July 2
Dissemination of environmental and social documents. Public access to information.	CNEL	Public outreach campaign	July 3 – 16
Public Hearing	CNEL	Public hearing meeting with stakeholders	No later than July 20
Report on consultation process including minutes signed by participants	CNEL	Record of Public Hearing	July 21
Review by the Bank of all information on the public consultation process, and verification that community recommendations have been included in the environmental and social	IDB	Updated environmental and social assessment document	Date of the Bank's confirmation that the consultation process was meaningful, that the environmental and social documents are relevant to the project, and that construction of the

assessment, including in the environmental and social management plan			line can be resumed: July 25
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