

**Environmental and Social Strategy (ESS)
Caribe Jamaica**

24th August 2012

I. Project Summary

Country:	Jamaica
Sector:	Tourism
Project Name:	Caribe Jamaica
Borrower:	Caribe Hospitality S.A
Transaction Type:	Loan
Total Project Cost:	US\$21.42 million
IDB A-loan	US\$6.75 million
Co-lender-IFC:	US\$5.03 million
EIC:	Category B

II. Project Description

A. Background

- 2.1 Caribe Hospitality S.A is one of the key hotel development partners of Marriott Corporation in Latin America and the Caribbean region. Over the next three years, Caribe intends to construct seven hotel properties (in addition to one constructed in 2012), to be partially financed by the IDB under the LEED Financing Facility (LFF) that will subsequently be operated, on their behalf, by Marriott. All of the hotels will be certified under the LEED (Leadership in Energy and Environmental Design) program, an initiative of the U.S. Green Building Council that has become one of the international standards for green buildings.
- 2.2 The operation under consideration for IDB financing will be the second hotel¹ under the LFF: the Jamaica Courtyard by Marriott (the “Project”), in Kingston. The hotel will be the first Marriott to open in Kingston, and the second Marriott flagged hotel in Jamaica (there is a JW Marriott in Montego Bay).
- 2.3 The hotels financed under this LFF will be the first LEED-certified, Marriott-operated business hotels in Central America and the Caribbean.

B. Site Location and Setting

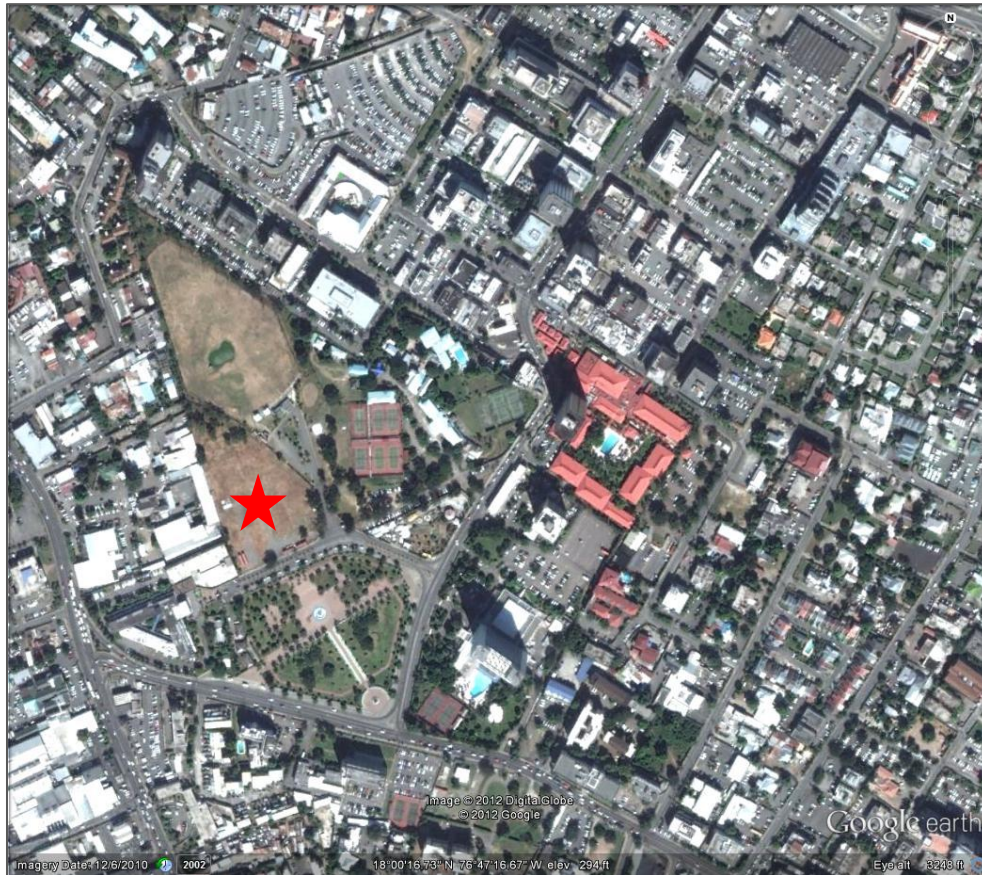
- 2.4 The hotel will be located in New Kingston, the business district of the city. The main hotels in Kingston (Wyndham, Pegasus, Knutsford Court, Terra Nova, Courtleigh and

¹ The first hotel financed under the LFF by the IDB was the Courtyard Alajuela in Costa Rica, which was approved in December 2010. For more information click [here](#).

Spanish Court), are all located in this area. Several of the main government offices and private institutions are also based in New Kingston.

- 2.5 The Project will be located on a 15,135m² site in New Kingston, in a heavily urbanized area. The site lies north of a public park called Emancipation Park, and East of the Liguanea Club, a Kingston sports club (see Figure 1). According to the NEPA Permit, and from initial observations made from photographs of the site, the land is semi-degraded, generally flat, has no rivers/lakes/wetlands present on the site or adjacent land. According to the application for the NEPA permit, there are no endangered or threatened species or critical habitat on or near the Project site. This will be confirmed during the environmental and social due diligence (ESDD). There are a number of trees on the site South and East Boundary.

Figure 1. Location of the Project (★)



- 2.6 Previous land use at this time is not known, however initial information suggests that while the land is largely clear of vegetation, and shows evidence of some paving/concrete, most likely used for parking rather than permanent structures. The details of any past land use will be confirmed during the ESDD.
- 2.7 Photos of the site show a number of storage containers on the land. The use of these containers is not yet known and will be confirmed during the ESDD.

- 2.8 The site is not under any national or international protected area. There are no historic sites on or near the site. It is bordered to the South by the Emancipation Park.

C. Project Description

- 2.9 The Courtyard at Kingston will be a six story 130 room business hotel with the following amenities (standard to the Marriott Courtyard brand):
- Lobby, front desk
 - Restaurant, bar and lounge
 - Swimming pool
 - Gymnasium
 - Business center
 - Three meeting rooms
 - Five shops
 - Back of house: kitchen, laundry room, mechanical room (generator, transformer, electrical rooms), maintenance room, admin offices

D. Workforce

- 2.10 Caribe currently employs 15 people at the corporate level, working on a number of different hotel developments throughout the region. The Project is expected to need an average of 200 people distributed over the construction period. Once the hotel is operational, it will have approximately 60 full-time employees.

E. Project Schedule and Costs

- 2.11 The Project construction is planned to start during late 2012/early 2013 and is expected to last up to 18 months, with a projected opening for Spring 2014.
- 2.12 The total Project cost is US\$23 million and will be funded as follows: (i) US\$9.64 million in equity, and (ii) US\$11.78 million of debt.

F. Project Alternative Analysis

- 2.13 Caribe is currently in the process of undertaking an Environmental and Social Assessment, which will include a description of any project alternative analysis undertaken, particularly with respect to site selection. Caribe Hospitality's Environmental and Social Management System, developed in 2011, includes a Procedure for Site Selection². The IDB will assess the client's project alternatives analysis during the environmental and social due diligence, and in particular the application of this Procedure to the Project.

²Caribe Hospitality, Procedimiento para la selección de Sitio, PR-PROY-6, Versión 0, Fecha: 30/Nov/2011.

III. INSTITUTIONAL AND REGULATORY CONTEXT

A. Consistency with applicable national and international Environmental, Social, Health and Safety and Labor regulatory requirements

- 3.1 The Project is subject to the planning, permitting and EIA requirements of the Government of Jamaica (GOJ). The two main agencies that implement these policies and procedures are the National Environmental and Planning Agency (NEPA) and the Natural Resources Conservation Authority (NRCA). NRCA issues the request for an EIA which is reviewed together with NEPA.
- 3.2 Jamaica Property Company Limited, on behalf of Caribe submitted the necessary information to NEPA (by means of a Project Information Form submission) in September 2010. Based on this submission NEPA determined an EIA was not required for this Project and issued a Permit to Undertake Enterprise, Construction or Development in a Prescribed Area (“NEPA Permit”), in March 2011. The permit stipulated conditions to be met including implementation of a Waste Management Plan, and Emergency Response Plan and Evacuation Plan (with approval of the Office of Disaster Preparedness and Emergency Management - ODPEM), a Landscape Plan, a Traffic Management Plan, a Stormwater Drainage Plan, as well as specific measures for dust control and noise abatement. Many of these plans are required within a set time of the issuance of the permit (between 30 and 90 days). The permit also requires that an Environmental Management Plan and Environmental Monitoring Programme be submitted to NEPA for its approval, within three months of the issuance of the permit. At this stage it is not known the extent to which these conditions have or have not been satisfied, and to that end the IBD will review this with the Sponsor during its environmental and social due diligence (ESDD).
- 3.3 The Tourism Product Development Company (TPDCo) is the agency mandated by the GOJ to facilitate the maintenance, development and enhancement of the tourism product. TPDCo issues licenses to tourism operators and conducts inspections to ensure compliance with necessary requirements. These include a wide spectrum of issues from safety (medical facilities, emergency disaster procedures, and first aid/CPR training, lifeguards and pool safety); health (public health certificates, food handler permits, pool permit, waste disposal facilities and procedures); security; fire (certificates, extinguishers, smoke detectors); environmental procedures (beach licenses, NEPA approval), etc. Information at this stage indicates that Caribe hold current permits and licenses; however the details will be confirmed during the ESDD.

B. Consistency with IDB Environmental and Social Safeguard policies

- 3.4 The key Directives of the IDB Safeguards and Compliance Policy (OP-703) that apply to this project are B.5 (Environmental Assessment), B.6 (Consultation), B.07 (supervision and compliance); B.10 (Hazardous Material), B.11 (Pollution Prevention and Abatement), as well as the Disaster Risk Management Policy (OP-704), and the Disclosure of Information Policy (OP-102).

- 3.5 In order to meet the requirements of B.5 and B.6 of the OP-703, it is expected that an environmental and social analysis (ESA) be conducted, following the guidance in the IDB Technical Note on Environmental and Social Analysis for Small Hotels and Resorts³. In order to meet the requirements of OP-102, it is expected that this ESA incorporate the Sponsors approach to public consultation activities. The adequacy of this analysis to comply with these directives and policies will be determined during the ESDD.
- 3.6 The due diligence will also evaluate the relevance of the Gender Equality in Development Policy (OP-270).
- 3.7 Based on current information, the potential impacts and risks of the Project are anticipated to be moderate, and the team proposes an environmental classification of “B” for the Project under OP-703.

IV. ENVIRONMENTAL AND SOCIAL IMPACTS, RISKS AND CONTROL MEASURES

- 4.1 The potential environmental and social impacts and risks from the Project are generally anticipated as being minimal to moderate, given that the development is relatively small and is in an urban area, on a site with minimal natural habitat and no cultural resources, and that these impacts and risks can be addressed through standard mitigation and management measures. It should be noted that for the first hotel under the Facility (Courtyard Alajuela in Costa Rica), the Sponsor, Caribe and the Operator, Marriott were required to develop a series of management plans and procedures. Many of these will be applicable to this Courtyard Jamaica Project and can be directly, or with minor modifications, applied to this Project, to meet both National and IDB environmental and social requirements.

A. Potential Environmental and Social Risks and Impacts during Construction

- 4.2 During construction potential risks and impacts will likely include the following:
- 4.3 Occupational Health and Safety. Given the typically poor standard of environmental management and health and safety practices on construction sites in Jamaica, there is a risk of accidental events that could result in injuries to workers, or spills of fuels and other construction chemicals and waste. During the ESDD the IDB will review Caribe’s proposed procedures to reduce and control identified risks (to be adapted from those developed in the Caribe Hospitality ESHSMS), including occupational health and safety training and use of personal protection equipment, in addition to implementation of life and fire safety precautions and emergency response plans.

³ No. IDB-TN-334.

- 4.4 Solid waste disposal. The risks associated with generation and solid waste disposal will be managed through the development of a Waste Management Plan, as required by the NEPA Permit, that will include, but not be limited to (i) designation of appropriate waste storage areas (ii) waste collection and removal schedule (iii) a system for the supervision and monitoring of the waste (iv) implementation of measures to reduce waste. All waste generated will be disposed of at a municipal dumpsite with the approval of the National Solid Waste Management Authority.
- 4.5 Dust Noise and Vibration. Generally the impacts to the community during construction will be minimal, with some positive impacts created through construction jobs. There could be impacts from noise vibration and dust during construction, and to a lesser extent, during operations, to the adjacent Linguanea Club on the eastern property boundary and small businesses on the western property boundary. The NEPA permit requires a number of control measures for dust and noise abatement. Permissible noise level during construction is not to exceed 70dB at the boundary of the Project site, which is consistent with IFC's Noise Management guidelines for Industrial/Commercial sites.
- 4.6 Drainage. Potential risks and impacts from poor drainage and surface water run off during construction will be managed through the development and implementation of a storm water drainage plan, required by the NEPA permit, based on a design submitted and approved by the National Works Agency in 2011. Caribe has developed a Stormwater Pollution Prevention Plan (SWPPP). This plan will be reviewed during the ESDD.
- 4.7 Traffic Congestion. Given the location of the Project site, there is the potential for traffic congestion on the road that will provide site access during construction (Knutsford Blvd). The NEPA Permit requires a Traffic Management Plan for the construction phase be approved by the National Works Agency, and implemented prior to any development work, including site clearance.

B. Impacts, Risks and Control Measures During Operation

- 4.8 During operations the potential negative impacts and risks are those typically associated with hotels of this size and nature, such as worker and guest health and safety (including fire and disaster risk), energy use, and water and waste management.
- 4.9 Environmental and social management and monitoring will be under the control of the Caribe during the construction phase, but once the Hotel goes into operations, this will be based on the corporate management systems in place by Marriott. Many of the plans however, span the life of the Project from construction through operations.

C. Potential Environmental and Social Risks and Impacts during Operation

- 4.10 Water and Wastewater Management. Water will be needed for domestic supply, for the swimming pool, and for irrigation and landscaping. Water will be supplied from the municipal water treatment plant. An evaluation of water use and supply should be presented as part of the Sponsors environmental analysis, to confirm that there is ample

water supply and use by the Project will not present undue stresses on the supplies. The NEPA Permit stipulated that the Environmental Management Plan should include specifically “water conservation measures”. Both LEED the Marriott Echo Manual⁴ provides a basis for the conservation of water, which will inform these measures.

- 4.11 Energy Supply and Use, and Air Emissions. The NEPA Permit stipulated that the Environmental Management Plan should include specifically “energy conservation measures”. Both LEED the Marriott ECHO Manual provides a basis for conservation of energy, which will inform these measures. Air emissions from the Hotel will not be significant; however Caribe is developing a Procedure for the Management and Reduction of Emissions as part of its existing ESHSMS.
- 4.12 Worker and Guest Health and Safety. During operations there could be accidents to workers and guests that will be managed through the implementation of a Health and Safety Management Plan for the hotel which will be implemented by Marriott.
- 4.13 Life and Fire Safety/Emergency Response Planning: Fires and emergencies can present significant risks to both guests and workers, and may cause damage to property. The NEPA Permit requires that an Emergency Response Plan and Evacuation Plan for the hotel be developed and approved by the Office of Disaster Preparedness and Emergency Management (ODPEM).

D. Potential Risks and Impacts from Natural Hazards and Climate Change

- 4.14 Extreme Weather Events: Jamaica experiences extreme weather events (tropical storms and hurricanes). The potential risks this poses to the Hotel, as well as changes in storm frequency and/or intensity associated with climate change will be reviewed during ESDD, however it is expected that these will be addressed in the design of the hotel.
- 4.15 Seismic Risk: Seismic risk will also be evaluated during the design phase, as the Caribbean region has some seismic activity due to the presence of a number of fault lines. The IDB will review, during the ESDD that the proposed structures are designed according to international earthquake construction codes.

E. Positive Impacts

- 4.16 Positive social impacts associated with the Project, include short-term construction and supply based employment; long-term employment, training and career development opportunities in the hospitality sector; increased commerce to adjacent businesses; and improved turnover and secondary employment opportunities.

F. Cumulative Impacts

⁴ Environmentally Conscious Hotel Operations (ECHO): An Environmental Guide for Marriott International, Operations Manual – July 2003

- 4.17 Cumulative impacts for the Project could include the creation of additional stresses on already limited resources, in particular water, power, and landfill space. Due to the relatively small scale of this development, however these are not expected to be significant.

G. Mitigation and Management of Risks and Impacts

- 4.18 Caribe Hospitality issued Version 2.0 of their Environmental, Social, Health and Safety Management System (ESHSMS) in December 2011. The ESHSMS was prepared in the context of a previous IDB financed Project for the Courtyard Alajuela in Costa Rica, however its scope clearly denotes that it will serve as a basis for implementation of environmental and social management for subsequent hotel Projects. For the operation of the hotel, Caribe will rely on a number of plans and procedures that Marriott has in place, which are set out in the Marriott Echo Manual⁵, which are referenced in the ESHSMS. IDB supervision of the Alajuela Project in February 2012 found that implementation of ESHSMS was proceeding in a satisfactory manner, and had high transferability to other projects.
- 4.19 It is expected that Caribe will tailor the plans and procedures contained within the ESHSMS to the Caribe Courtyard Jamaica Project, to ensure an Environmental and Social Management Plan, which will include specific plans and procedures required by the NEPA Permit.

H. Monitoring and Reporting requirements:

- 4.20 The NEPA Permit requires that quarterly reports be made to NEPA during construction and every six months during the operation of the development.
- 4.21 The NEPA permit also requires that an Environmental Monitoring Programme be designed and submitted to NEPA within 3 months of the issuing of the permit, to be approved by them prior to the commencement of construction, which will include at a minimum monitoring on waste handling and disposal, air quality and noise levels. The monitoring programme shall be implemented during construction and the Sponsor is required to report to NEPA monthly during the first 3 months of construction, and quarterly thereafter until the end of the construction phase.

V. ENVIRONMENTAL AND SOCIAL STRATEGY FOR DUE DILIGENCE

- 5.1 The Bank will perform an Environmental and Social Due Diligence (ESDD) in order to confirm that the Project's direct and indirect, and cumulative environmental and social risks and impacts have been properly assessed, and ensure that appropriate mitigation

⁵ Environmentally Conscious Hotel Operations (ECHO): An Environmental Guide for Marriott International, Operations Manual – July 2003

and management measures are designed for, and implemented during, the life of the project. Specifically, the ESDD will address the following:

- i. Assessment of the current compliance of the Project with the applicable country's (national, provincial, municipal, local) environmental, social, health and safety, and labor regulatory requirements (e.g. laws, regulations, standards, permits, authorizations, applicable international treaties/conventions). Included in this assessment will be site-specific legal requirements (e.g. licensing/permitting requirement, in particular, but not limited to the NEPA Permit), international standards and applicable IDB environmental and social policies or guidelines, and relevant IFC Environmental, Health and Safety (EHS) Guidelines (tourism/resource use).
- ii. An evaluation of the adequacy of the Environmental Analysis (EA) that Caribe is currently preparing to confirm that the relevant direct and indirect environmental and social risks and impacts and the cumulative impacts have been properly identified and evaluated (both positive and negative impacts).
- iii. Assessment of the overall cumulative impacts of the addition of new hotel in New Kingston, and the resulting stresses on the availability of resources, in particular water.
- iv. Assessment of other risks such as natural disasters, and the extent to which these may be exacerbated by climate change.
- v. Evaluation of Project-related information disclosure and public consultation activities that have been performed; confirmation that participation processes of stakeholders have been adequately conducted; and for proposed future actions that the developers provide adequate ongoing information disclosure and public consultation with the local population, in compliance with IDB policies.
- vi. Confirmation of the adequacy and scope of the environmental and social management plans, procedures and manuals that have been prepared or will be prepared for the Project, including timeline of preparation, approval process, implementation and monitoring arrangements. Specifically the following plans referenced in the NEPA Permit will be evaluated: Traffic Management Plan, Landscape Plan; Waste Management Plan, Storm Water Drainage Plan.
- vii. Confirmation of the adequacy of emergency and contingency plans and procedures designed and to be implemented during all phases of the Project to address potential Project-related accidental events (fires, explosions, natural disasters, etc.); and confirmation that adequate disaster risk management plans are consistent with OP-704.
- viii. Evaluation of the overall Project's environmental, social, health and safety, and labor management policies, systems, and procedures to ensure their technical adequacy in relation to potential site-specific risks and impacts. This includes the evaluation of (i) roles and responsibilities; (ii) the sufficiency of resources for implementation; and (iii) adequate procedures for training, auditing, and reporting. The focus will be on looking at how Caribe will tailor their existing

ESHSMS developed for a hotel project in Costa Rica, to the new Project in Jamaica.

- ix. Assessment of the adequacy of the proposed monitoring measures for the Project including timelines, budgets, and allocation of responsibility for detailed procedure development and implementation. This will also include the determination of key environmental and social indicators and requirements for the project execution.
- x. An evaluation of environmental, social and health and safety terms and conditions in relevant project legal documents (e.g. concession contract, construction contract, operations and maintenance contract, etc.), in terms of sufficiency, potential risks or liabilities, or issues.
- xi. An evaluation, of the capacity of the Company to adequately manage environmental and social impacts and risks associated with other similar projects (i.e. Courtyard Alajuela, Costa Rica).

5.2 The IDB will hire an external environmental and social consultant to support them during the ESDD. Based on the ESDD, the team will prepare an Environmental and Social Management Report (ESMR) presenting the conclusions of the ESDD. 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, as well as propose environmental, social and health and safety terms and conditions to be included in relevant project legal documents.