Early Warning System

IADB-NI-G1006

Geothermal Exploration Program and Improved Power Transmission in the framework

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Quick Facts

Countries	Nicaragua
Financial Institutions	Inter-American Development Bank (IADB)
Status	Approved
Bank Risk Rating	A
Voting Date	2016-09-07
Borrower	Ministry of Energy and Mines (MEM)
Sectors	Energy
Investment Type(s)	Grant
Investment Amount (USD)	$ 9.52 million
Project Cost (USD)	$ 9.52 million

Project Description

This project aims to contribute to the sustainability of the energy sector in Nicaragua. The specific objectives are: (i) to develop the geothermal potential to diversify the energy matrix; and (ii) to increase the accessibility and reliability of the energy service supply through the increase in national and regional transmission capacity by implementing reinforcements to the grid.

The various components of this project include (i) feasibility level exploration of the Cosigüina field with geothermal potential, (ii) development of a mechanism to attract private investment for the implementation of geothermal projects, (iii) improvements in electricity transmission infrastructure, (iv) address of growing demand and new generation connection.

The program was classified as a category “A” operation. If not mitigated, the adverse environmental and social impacts would be significant. They are: (i) habitat fragmentation and cumulative effects on the forest cover caused by habitat conversion within the Cosigüina Volcano Natural Reserve; (ii) the risk of cumulative effects on water availability caused by extraction and consumption of water for Component 1, which could affect the viability of both Component 1 and the health of surrounding communities; (iii) a high risk of natural disasters that could affect the viability of the projects under Components 1 and 2, and the health and safety of surrounding communities, such as seismic activity, drought, extreme precipitation and storms, landslides, and volcanic activity; (iv) impacts associated with the construction phase of projects under Components 1 and 2, such as contamination of surface water and groundwater and soil by sludge from drilling, air pollution, generation of noise and vibrations, visual impacts, potential pollution caused by poor waste management, and impacts associated with access and the obtaining of easements; and (v) negative impacts on the economic potential of both neighboring owners and the affected communities.

Investment Description

- Inter-American Development Bank (IADB)

The program is a specific investment loan. It will be cofinanced with loan proceeds from the IADB and from the Korean Facility for infrastructure projects, as well as CTF and SREP contributions as part of the PINIC.

The total cost of the program is US$103,403,000. Of this amount, US$28,700,000 corresponds to blended financing (US$17,220,000 or 60% from OC funds, and US$11,480,000 or 40% from the Fund for special operations); US$39,694,000 as part of the Grant Leverage Mechanism (GLM) of the IDB (US$22,670,000 from the OC under the GLM and US$17,024,000 in non-reimbursable funds, including US$750,000 from the Scaling Up Renewable Energy Program (SREP) in non-reimbursable investment funds, US$6,750,000 from the SREP and US$9,524,000 from the Clean Technology Fund in non-reimbursable contingent grant funds). In addition, US$25,000,000 in a concessional loan under the Korea Facility for infrastructure projects (KIF), administered by the IADB, and US$10,009,000 will be financed with local funds from the governmental agencies and will basically be used to cover administrative, financial expenses, and contingencies. The expenditure categories that will be covered by the program include procurement of goods, works, services, consulting assignments, program financing costs, and administration expenses for the program execution unit.

Resources will be disbursed over a period of five years.

Contact Information

ACCOUNTABILITY MECHANISM OF IADB

The Independent Consultation and Investigation Mechanism (MICI) is the independent complaint mechanism and fact-finding body for people who have been or are likely to be adversely affected by an Inter-American Development Bank (IDB) or Inter-American Investment Corporation (IIC)-funded project. If you submit a complaint to MICI, they may assist you in addressing the problems you raised through a dispute-resolution process with those implementing the project and/or through an investigation to assess whether the IDB or IIC is following its own policies for preventing or mitigating harm to people or the environment. You can submit a complaint by sending an email to MICI@iadb.org. You can learn more about the MICI and how to file a complaint at http://www.iadb.org/en/mici/mici,1752.html (in English) or http://www.iadb.org/es/mici/mici,1752.html (Spanish).

Bank Documents

- Geothermal Exploration and Transmission Improvement Program under the Nicaragua Investment Plan (PIN [Original Source]
- Loan Proposal. Geothermal Exploration and Transmission Improvement Program under the PINIC [Original Source]
- Propuesta de Prestamo. Programa de Exploracion Geotermica y Mejoras en Transmision en el Marco del P [Original Source]