

 Early Warning System

IDBI-12814-01

Nicaragua Sugar



### Quick Facts

Countries	Nicaragua
Financial Institutions	IDB Invest (IDBI)
Status	Proposed
Bank Risk Rating	B
Voting Date	2019-10-31
Borrower	Nicaragua Sugar States Limited
Sectors	Agriculture and Forestry
Investment Type(s)	Loan
Investment Amount (USD)	\$ 25.00 million
Loan Amount (USD)	\$ 25.00 million



### Project Description

According to IDB Invest website, the financing consists of an 8-year senior loan of up to US\$37.5 million to be provided to Nicaragua Sugar States Limited as follows: US\$25 million funded by IDB Invest and US\$12.5 million funded by concessional funds administered by IDB. Nicaragua Sugar, one of the leading companies in the sugar sector in Nicaragua and Central America, will use of the financing (i) to continue to improve its efficiency and productivity levels through industrial and agricultural investments, (ii) for permanent working capital needs of its operations and its supply chain, and (iv) for green projects that improve its use of resources, especially water.



## People Affected By This Project

### 1. Scope of Environmental Review

Nicaragua Sugar Estates Limited (NSEL), also known as Ingenio San Antonio, was incorporated 1890 by the Pellas family and it is the largest sugar player in Nicaragua. It produces and sells sugar and other related products like molasses and energy. SER San Antonio is located in the Chichigalpa municipality, department of Chinandega, approximately 83 miles northwest from Managua. Sugarcane is harvested from plantations owned by NSEL (16,458 has) and by third party growers (15,595 has). In both cases, NSEL oversees harvesting and transporting sugarcane to the sugar mill during the Zafra.

The Environmental and Social Due Diligence (ESDD) mission took place from July 22 - 25th. IDB Invest team met NSEL's senior the management team at the corporate offices located in Managua to obtain general operations orientation. The ESDD continued in Chichigalpa to visit the following components of the SER San Antonio complex involving operations in plantations, mills, all biological control unit, the Alfredo Pellas Chamorro Hospital and the Modelo School. At the time of the site visit, no industrial activities were underway. Meetings were held with NSEL's sustainability team. The ESDD team interviewed various ISA workers and met with six independent sugarcane suppliers to NSEL (all members of APRICO: Association of Independent Sugarcane Producers). The ESDD included the review of technical and environmental, health and safety (EHS) documents presented by the company.

### 2. Environmental and Social Categorization and Rationale

The Project has been classified as a Category B, according to the IDB Invest's Environmental and Social Sustainability Policy, because it could produce certain effects that may be avoided or mitigated by following generally recognized performance standards, guidelines, or design criteria.

Key E&S issues and risks associated with the project include: (i) functionality of the company's E&S management and monitoring systems, (ii) management of occupational health and safety ("OHS") programs and prevention of Chronic Kidney Disease (CKD); (iii) generation of solid waste and effluents; (iv) air emissions (from cogeneration of bagasse and dust from transport operations); and (v) potential safety risks to local communities due to cane transport vehicles movement.

As a result of the ESDD, it can be concluded that this operation will have impacts that will be managed in accordance with the following Performance Standards: (i) PS-1: Assessment and Management of Environmental and Social Risks and Impacts; (ii) PS-2: Labor and Working Conditions; (iii) PS-3: Resource Efficiency and Pollution Prevention; and (iv) PS-4: Community Health, Safety, and Security.

PS-5, Land Acquisition and Involuntary Resettlement, is not triggered as the company has legal title over its plantations and there are no known legal claims against its property. PS-6, Biodiversity Conservation and Sustainable Management of Living Natural Resources (no natural or critical habitat or endangered species have been found to be affected by NSEL); PS-7, Indigenous Peoples is not relevant as there are no IPs in the areas where NSEL's operations are located and there are no assets or lands negatively impacting indigenous people. PS-8, Cultural Heritage will not be triggered either (No cultural heritage or archeological sites are found in the project site or its vicinity). If these PSs become applicable, NSEL will immediately inform IDB Invest.

### 3. Environmental and Social Context

The area of influence of SER San Antonio includes the municipalities of El Realejo, El Viejo, Posoltega and Chichigalpa in the department of Chinandega, and the municipalities of Leon, Telica, Quezalguaque and La Paz Centro in the department of Leon. Chronic kidney disease (CKD) is part of the social contextual risk in field workers in Nicaragua. The Country is also prone to seismic and volcanic activity, hurricanes, severe storms and flooding which may pose an unforeseen risk for the Project.



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## Investment Description

- IDB Invest (IDBI)



Private Actor 1	Private Actor 1 Role	Private Actor 1 Sector	Relation	Private Actor 2	Private Actor 2 Role	Private Actor 2 Sector
-	-	-	-	Nicaragua Sugar Estates Limited	Client	-



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## Contact Information

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## ACCOUNTABILITY MECHANISM OF IDB INVEST

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](mailto: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).