

1. Overview and Scope of IDB Invest's Environmental and Social Review

The PPP Rail Project “Ferrocarril Central” (henceforth, FFCC) includes the design, construction, financing, renovation and maintenance of the 272-kilometer long railway between the cities of Montevideo and Paso de Los Toros in Uruguay. The start point is the New Passenger Terminal in Montevideo, and the end point is the station at Paso de los Toros. The supply, testing and activation of the rolling stock are not included in the Project.

The bidder for the project is the Ministry of Transport and Public Works (MTPW), who have undertaken an Environmental Impact Assessment (EIA) on the project to obtain an Environmental License from the Ministry of Land-Use Planning, Housing and the Environment (MLPHE). The subprojects and large-scale works, such as bridges, trenches, quarries and inter-level crossings, will require special environmental assessments to be approved by the DINAMA. The consortium group Vía Central (henceforth, the Consortium), is made up of the following companies: NGE (France), Sacyr (Spain), Berkes (Uruguay) and SACEEM (Uruguay). It has been awarded the public international tender for the construction and maintenance of the new railway under a PPP contract (Public Private Participation) modality.

Brief description of the Project

The new and improved railway infrastructure will be designed in accordance with the technical specifications provided by the European Union. The renovated railway will enable the transport of cargo such as cellulose pulp, wood, grain, containers, fuel and chemical products among others, in addition to passengers. An estimated 8 million tons of raw cargo (including 4 million tons of cellulose) will be transported annually, operating continuously all 365 days of the year. Fifteen 800-meter-long cargo trains are expected to run daily in both directions. The passenger trains will run between Montevideo and the town of 25 de Agosto, at a frequency of 9 trains per day in both directions. The trains will run at a maximum speed of 60 km/h between Montevideo and Piedras and 80 km/h between Las Piedras and Paso de los Toros. The cargo capacity will increase from the current 18 ton/line to 22.5 ton/line.

In short, the main infrastructure works are the following: i) The change of rails, crossties and the renovation of the existing civil structures (such as embankments, bridges, sewers, etc.); ii) Geometric improvements in the rail layout resulting in crossovers through populated areas (Santa Lucía, Independencia, Cardal, Sarandí Grande and Puntas de Maciel); iv) Trench tunnel works in the towns of Capurro / Uruguayana and Las Piedras to avoid transversal railway crossings; iv) A new double railway between the towns of Sayago and Progreso to transport passengers; v) The renovation of the railway between Sayago and Estación Peñarol; vi) A new signaling and traffic control system, including an automatic train protection system and connecting railway interfaces; vii) the Construction, reconstruction and/or reinforcement of bridges; viii) The underground burying of streets and roads; ix) The installation of sound panels in sound sensitive areas; x) The fencing of the railway at all stages. Due to the route adjustments and the rerouting to populated areas, the Project will require the expropriation of 642 blocks and the involuntary relocation of 40 residences and other installations. The project will include improvements made to the stations and transport services for passengers between Montevideo and Progreso, and the construction of 32.5 km of new access roads for maintenance.

The estimated time for the construction is 36 months, with four simultaneous construction phases. The project will include 3 main temporary structures (located in Florida, Durazno and Montevideo) and secondary temporary structures (in Paso de los Toros and Progreso). The rails will be stored in the main 29-hectare temporary structure (located in Florida) and the crosstie factory shall be installed along with a machinery and equipment maintenance area, a ballast store, laboratories,

offices, eating areas, changing rooms, toilets, etc. The dismantled rails will be stored in specific locations close to the towns of Paso de los Toros, Durazno, Sarandí Grande, Florida and Progreso (11). Four 60 m³/h concrete planks will be installed in the suburbs of Montevideo at 25 de mayo, in Durazno and in Centenario. There will be two quarries at Pintado and Centenario. The sub-base materials shall be produced in multiple quarries located along the railway.

Environmental and Social due diligence Assessment

Between February 4 and 8, 2019, personnel from the IDB Invest Social, Environmental and Governance Department (SEG) carried out an environmental and social due diligence of this operation to assess the potential environmental and social effects, as well as the occupational risks associated to the construction phases of the Project. In order to do this, visits were scheduled and made to the relevant locations of the infrastructure works and of the communities that would be potentially affected by the project, following, in general, the railway route from Montevideo to Paso de los Toros. During the visit, meetings were held with personnel from the Consortium, the authorities (MTPW, DINAMA, The Residential Maintenance Advocate of Montevideo), NGOs and commercial organization representatives, as well as members of the communities that may be affected by the Project, in both its construction and operation phases (2).

The environmental, social and health and safety analysis in this document focuses on identifying and assessing the capacity of the Consortium's environmental, social and health and safety management system to manage the effects and risks resulting from the construction works. This is to produce the input required by the MTPW Executive Environmental Plan and to comply with the existing legislation, Performance Standards and the IFC (International Finance Corporation 3) Operational Guidelines that apply to the Project. The technical information referenced in this report has been extracted from the documentation of the Project's preliminary stage, meaning that it may vary from the information present in the Project's master plan, which is currently being prepared by the Consortium.

2. Environmental and Social Classification and Rationale

Regarding the results of the due diligence, in light of the IDB Invest Environmental Sustainability and Social Policy, the operation is considered as Category A. This means the following IFC Performance Standards (PS) must be applied: (PS) 1 (Assessment and Management of Environmental and Social Risks and Impacts), PS 2 (Labor and Working Conditions), PS 3 (Resource Efficiency and Pollution Prevention), PS 4 (Community Health, Safety and Security), PS 5 (Land Acquisition and Involuntary Resettlement), PS 6 (Biodiversity Conservation and Sustainable Management of Living Natural Resources), and PS 8 (Cultural Heritage)

The social effects linked to the construction phase include the involuntary relocation of individuals caused by the expropriation of land and the displacement of those who built their homes on the railway route. Among the most significant potential environmental effects and occupational risks related to the construction works are the interference caused to pedestrian and road traffic by the works, the subsequent increase in the likelihood of road accidents, the effect on the air quality caused by particulate matter, vibrations, noise pollution and the possible effects on the water, soil and biodiversity from pollution caused by accidental leaks of chemical substances arising from the construction process.

3. Environmental and Social Context

The railway route, which runs S-N throughout, passes primarily through rural areas, some departmental capitals and some small towns, geometrically following the Ruta 5 in many sections.

Greater Montevideo and the Canelones department are located in the southern section of the route. They comprise the most populated areas, which extend out to lands used for rainfed and irrigation agriculture, as well as horticulture and fruit growing. The route crosses the Santa Lucia River at the border between the Canelones and Florida departments, which is part of the Rio de la Plata basin and its coastline. The central section of the route crosses less land dedicated to cultivation and more areas for livestock and dairy production; the Yi River, which is part of the Rio Negro basin, separates the Florida and Durazno departments. Towards the north, the Rio Negro basin is predominantly used for livestock rearing. The land surrounding the route is not very diverse throughout, with predominantly extensive natural grasslands that feature some rocky outcrops and a slightly undulating terrain. The highest points are less than 150 m above sea level, and they are located in the Cuchilla Grande region, close to the towns of Sarandí Grande, Goñi in Florida, and Villasboas in Durazno. Two areas worth mentioning and that will be affected by the Project are the Protected Species Management Area in Santa Lucia (1km from the route) and the Protected Landscapes of the settlement Rupestre de Chamangá (7km from the route), located in the Flores department.

4. Environmental Risks and Impacts and Proposed Mitigation and Compensation Measures

4.1 Assessment and Management of Environmental and Social Risks and Impacts

Integrated Environmental and Social Management System

The Consortium has opted for an integrated environmental, social and health and safety management system from the company SACEEM, an ISO 14,001 certified company.

As established in Action 1 of the ESAP, the integrated environmental, social and health and safety management system (ESHS) will be led by an Environmental, Social and Health and Safety Manager, who will represent the Consortium before the MTPW Environmental Department, the specific authorities related to the Project, the departmental and municipal authorities and any other representatives of the financing entities. The ESHS manager must be able to directly report to the Consortium's Works Directors and make all the necessary professional and technical resources available to exercise simultaneous control over the different phases of the works. The Consortium shall appoint a Social Specialist to prepare and implement the Community Relations Plan, together with the MTPW social teams; the social specialist will report to the Consortium's ESHS Manager.

Environmental, Social, and Health, Safety and Security Policy

The integrated system includes the Environmental Policy, the Health and Safety Policy and the Quality Policy established by the Consortium, aimed at ensuring the full legal compliance of all its activities and establishing and maintaining the continuous improvement of the management system.

As established in Action 12 of the Environmental and Social Action Plan (henceforth, ESAP), the Consortium will create and implement a Human Resources Policy that will be included in the integrated management system; this Policy will ensure the legal compliance with the relevant requirements of Performance Standard 1.

Risk and Impact Identification and Assessment

The Consortium's integrated system includes procedure PR-2202, Environmental Aspects Identification and Assessment. The tasks undertaken by subcontractors are not included in the definition of the scope for this procedure. On the other hand, in terms of workplace health and safety issues, the system includes procedure PR2101, Risks and Hazard Assessment. The latter documents

the basic risk identification and assessment methods applied by the Consortium to tasks carried out by employees or contractors; these methods are as follows: i) Risk assessment by category and not by job post; the risks associated with the type of activities performed by personnel according to their job category is usually carried out during the planning stage and reviewed every five years.: ii) Risk assessments related to specific work activities; in these cases, the foremen, managers and any personnel under their management or responsibility must produce a frequent Risk and Hazard Analysis (weekly, biweekly, etc. depending on the changes of task); this Risk and Hazard Analysis will help to determine whether each identified and assessed risk can be properly managed; if not, the task cannot be undertaken.

In accordance with Action 3 of the ESAP, the Consortium will amend the scope of Procedure PR-2202 Identification and Evaluation of Environmental Aspects, so that the environmental aspects under evaluation are pertinent to the area in which in-house and contracted personnel carry out their work, as well as those relevant to the community or third parties that are potentially affected by the construction works. The Consortium will also amend the PR-2102 Procedure, extending its scope, whenever required, to preserve the health and safety of all the members of any community potentially affected by the construction works (2).

As established in Action 4 of the ESAP, the Consortium will hire an independent consultant firm to perform an Accumulative Impact Assessment of the environmental and socially sensitive factors located in the area surrounding the Project, in accordance with the specific Referential Terms timely provided by IDB Invest to the Consortium.

Legal aspects identification

The implementation of Procedure PR-0506, "Identification, update and compliance assessment of the Legal and other Undersigned Requirements") will allow the Consortium to identify, update, access and assess the degree of compliance with the legal and other requirements undersigned by the organization. In accordance with Action 4 of the ESAP, the Consortium's identification, update and compliance assessment of Legal and other Undersigned Requirements procedure, will include environmental and social obligations required by the loan contracts held with the financing entities.

Organizational Capacities and Competences

As established in the Consortium's integrated management system, based on the surveyed health and safety training needs, the Human Management Manager is responsible for creating and executing an "Annual Training Plan". All the activities related to personnel training are carried out in accordance to the "Personnel Training and Skills" Procedure (PR-1801). On the other hand, at the start of each project, the Quality and Environmental Manager must provide an introductory training of the management systems to the project technicians, as well as in-house operators and contractors. The Annual Training Program content will be based on the Policy principles and Workplace Health and Safety in addition to the subsequent results from the identification of the legal requirements and hazards of the risk assessments, the accident reports, the inspection results and internal and external audit results.

As established in Action 6 of the ESAP, the Consortium will define the content of the Annual Training Program, and in addition, will consider the environmental factors, the commonly identified health and safety risks and the health and safety risks related to the communities potentially affected by the construction works, primarily making employees and contractors aware of said factors. A special focus must be made to ensure safety when operating vehicles and machinery inside and outside of the construction works area, both by employees and contractors.

Emergency Preparedness and Response

For emergency response situations, the Construction Consortium has an Environmental Emergency Detection and Response Procedure (PR-2204). This procedure indicates that project associated emergencies be identified through an Environmental Factor Identification and Assessment procedure (PR-2202). The PR-2204 procedure also identifies chemical leaks, explosions and fires as emergency situations.

As established in Action 7 of the ESAP, the Consortium will prepare an Emergency Prevention and Response Plan for every site or works that makes up an operational unit (for example a temporary structure, quarry, large-scale civil works, etc.) This Plan will take place in conjunction with the MTPW Emergency Plan and will cover the Consortium's contractors. Site specific emergency scenarios will be identified in each Plan (soil or water leaks, explosions, fires, floods, mudslides from heavy rain, riots, etc.), together with the corresponding preventive actions required to address the emergency, responsibilities (including those corresponding to events that fall on a holiday or weekend), external actors potentially involved during an emergency (hospital, firefighters, police, military, etc.) and a communication flowchart. When necessary, an assessment plan shall be produced indicating a diagram of rendezvous points, emergency exits, fire extinguishers, flammable containers, power-cut switches, etc. The actions to be taken by the personnel before determined scenarios will be practiced in drills held every six months.

Accident management

As established in the Consortium's integrated management system, in the case of a serious accident, the Workplace Health and Safety Manager is responsible for the communications with the competent departments of the Work and Social Security Ministry as established in the "Work Risk Prevention Management" procedure (PR-2101).

As established in Action 8 of the ESAP, the Consortium will prepare and implement a specific procedure for Accident Management that shall apply to both employees and contractors and must foresee, as a minimum, the actions to take in the immediate aftermath of the accident, the registration of the nature and severity of the accident, the processing of the basic legal operations and the templates needed to prepare the accident investigation report and to identify the preventive and/or corrective measures adopted to avoid its recurrence.

Management Programs

Regarding operational procedures during the construction stage, the Consortium's integrated system includes a series of procedures related to the handling of fuel, waste (domestic and hazardous), rubble, scrap and sewage, the handling of oil, filters and lubricants, hazmat management, ground machinery and contingency (in the case of leaks or explosions), fire prevention and control and social communications.

In compliance with the legislation a Health and Safety Study must be produced containing the work procedures and instructions. The planning of the WMP (Work Management Plans) and the MIP (Material Inspection Plans) must also be produced by the Works Manager for each project (taking into account not just the legal requirements but also the identification and assessment of the environmental impacts and occupational risks). The WMPs establish the activities' sequence, the applicable instructions or procedures, the responsibilities and the registrations of the Quality, Safety and Environmental management.

In the Work Risk Prevention Management Procedure, the Operations Manager and the Health,

Safety and Security Officer are responsible for the frequent monitoring of the health of the company's employees in order to update their mandatory health cards. Additional medical checks can be carried out based on the risk assessment for each professional category.

Contractor management

The Consortium's integrated system includes the PR-807 procedure for the Monitoring of Contractor Laboral Obligations through which the relative legal requirements are specified, and the Internal Safety Standard Requirements for Contractors (NI 001) in which the safety requirements for each contractor are specified.

As established in Action 9 of the ESAP, the Consortium will produce a Contractor Management Manual that shall specify at least the following Consortium items: i) The Environmental, Social and Health and Safety Policy and the Human Resources Policy; ii) The Ethics Code; iii) The integrated system's safe working procedures; iv) Water, energy and waste management; v) Road safety requirements, specifying; the required maintenance and functionality of the vehicles, allowed maximum speeds, agreed traffic routes (case specific), driving regulations in adverse climatic conditions and accident prone areas, permitted driving times, driving regulations for vehicles carrying hazardous cargo; vi) Training requirements; vii) Communal cohesion regulations based on the Community Relations Plan.

Supplier and subcontractor Assessment

The Consortium's integrated management system includes Procedure PR-0605 "Supplier and Subcontractor Assessment", whereby the supplier or subcontractor is rated and allowed (or not) to apply for future jobs. The related environmental management and community relations are not included among the ranking criteria. In accordance with Action 10 of the ESAP, the Consortium will produce a Supplier and Subcontractor Assessment Procedure that includes assessment criteria for its health and safety management, its environmental management and the quality of its community relationship. Special attention will be paid to the safe operation of vehicles and machinery by the contractors when in the streets and on the roads.

Monitoring and Evaluation

The construction and operation of the project, overseen by MTPW, will be monitored by the DINAMA via their Complex Venture Division of the Environmental Impact Assessment Department, with internal or external contracted auditors hired by the MTPW team manager, and through the assessment of regular reports sent by the MTPW team. The MTPW management commitments will be recorded in the Environmental Management Plan (one for the construction phase and another for the operation phase). This document will outline the MTPW's specific requirements to the Consortium.

The Consortium's integrated system includes the PR 2205 Environmental Monitoring procedure. Notwithstanding the measures required by the MTPW executive Environmental Management Plan and those that are deemed necessary to identify potential impacts and risks during the works, as provided for in Action 11 of the ESAP, the Consortium will include in the Environmental, Social, and Health and Safety Monitoring Plan the monitoring of at least the following parameters: environmental noise levels (baseline and quarterly), vibrations (if needed), air emission quality from steam boilers (annual), quality of liquid emissions poured into the public network (quarterly), quality of concrete curing and washing effluents (before effluent discharge, quarterly), physicochemical and bacteriological analysis of the surface and/or underground water and/or soil in the case of pollution, whose frequency is to be determined case by case; and the verification of any decrease in

groundwater levels in boreholes surrounding the works where water drainage has taken place. The following will be monitored in regard to social matters: i) the advances of the expropriation processes and the resettlement of individuals; ii) the number of complaints and grievances made and the total number of those resolved. The following will be monitored in regard to workplace health, safety and security: workplace noise levels (quarterly), the quality of drinking water (quarterly), the Frequency Index and Severity Index (of personal accidents, both for employees and contractors - monthly) and the earthing resistance of the electrical switchboards (biannual).

The threshold values for parameters measured during the construction phase shall take into consideration the thresholds indicated in the existing legislation and those indicated in the IFC (2) operating guidelines. In the event of an overlap, the most stringent criteria shall be considered. The monitoring will include an analysis of the possible causes and proposed preventive and/or mitigating measures should the measured values exceed the thresholds accepted by the existing legislation or by the applicable IFC guidelines.

As set forth in the Prior Environmental Permit granted by the MVOTMAS, the MTPW and the Consortium (and other third parties to whom the MVOTMA assigns responsibility for implementation throughout the various stages of the Project), a Project Implementation Coordination Committee must be established. It will be summoned and presided over by the MVOTMA and made up by the Local Governments of the districts crossed by the railway line. This committee will be in operation during the construction phase and during the first few years of the Project's operation, and will serve as a forum for exchanging information and coordinating actions associated with the Project's implementation.

Participation of Social Actors

During the first semester of 2018, DINAMA proceeded to advance in dialogues with the most relevant stakeholders from the communities that will be potentially affected by the railway's construction and operation, with the aim of garnering the opinions and concerns of the public in relation to the Project. The MTPW has also responded to additional information requests concerning the EIA made by DINAMA. Subsequently, two public meetings were held, one in Montevideo on December 21, 2018 and the other in Florida on December 27, 2018. The environmental documents from the project and the responses to the additional information requests were promptly published by DINAMA on a specific website under the name "*Observatorio Ambiental*" (Environmental Observatory) ([\[2\]](#)).

Through the Surveillance, Monitoring and Environmental Audit Plan, the MTPW has planned to carry out a disclosure process in those communities that may be affected, in addition to the receipt and resolution of any concerns, complaints or grievances that may exist in said communities. Specifically, during the construction period, the MTPW has planned to inform the residents of any traffic disruptions that may occur due to the closing of streets, and of detours to relieve the traffic flow, among other factors. Moreover, it is anticipated that there will be a fixed consultation process for those residents who will have to leave their homes and be relocated, until the completion of the resettlement process.

4.2 Labor and Working conditions

In accordance with the Action 11 of the ESAP, the Consortium will set out a Human Resources Policy that will consider, as a minimum, for both employees and contractor personnel, a fair agreement related to the free workers association, equal opportunities, no discrimination, no child labor and no forced labor.

Receipt and resolution of complaints and grievances

As established in the integrated system, the Consortium establishes, implements and maintains processes for the consultation and participation of employees at all applicable levels and functions. It prioritizes and promotes the participation of operational departments, maintaining a fluid dialogue with worker representatives. It also maintains records of bi- and tri-partisan meetings in which all the interested parties have the opportunity to be heard. In order to systematize and document said consultation processes, and in accordance with what is indicated in Action 13 of the ESAP, the Consortium will establish a procedure to include a receipt and resolution mechanism for any complaint, grievance or suggestion made by an employee or contractor, ensuring their anonymity. The procedure will determine the liable party, the assessment periods and the responses to employee statements.

Workforce reduction

According to the Action 14 of the ESAP, before the completion of the construction phase and before any collective redundancies are made, the Consortium will carry out an analysis of workforce reduction alternatives (such as, for example, employment skill development programs). If no alternatives are found, the Consortium will develop and implement a workforce reduction plan to mitigate any adverse impacts on the workers. The Consortium will comply with all the legal and contractual requirements related to the notifying of authorities, the provision of information and the inquiries of workers and their organizations.

4.3 Resource Efficiency and Pollution Prevention

The Consortium's Integrated system includes Procedure PR-2203, "Solid Waste Management" which oversees domestic waste management, waste produced by civil works and hazardous solid waste. The Consortium promotes minimizing waste generation in addition to reuse and recycling, abiding by the treatment and final disposal management guidelines provided for in the legislation. The system includes the work instructions for the Management of Chemical Products IT-2109 to manage the purchase, storage, use and management of harmful chemical products (flammable, non-flammable and gases).

As established in Action 15 of the ESAP, the Consortium will create a Hazardous Materials Management Procedure in accordance with the existing legal requirements and those arising from IFC Performance Standard 3. This procedure will stipulate that the Consortium will refrain from using pesticides or agrochemicals that include any Class Ia (extremely harmful) or Ib (highly harmful) components, as classified by the WHO.

The Consortium's integrated system anticipates the preparation of an Environmental Management Program that establishes the objectives for the reduction in water and energy consumption and waste, in addition to the number of leaks and other polluting actions. This program will establish monitoring indicators to measure the efficiency of the mitigating measures that have been implemented.

Greenhouse Gases

According to the Action 16 of the ESAP, the Consortium will prepare a Greenhouse Gas Inventory for the construction phase. The adopted method will be based on the ISO 14064-1 Standard, using the Corporate Accounting and Reporting Standards from the Greenhouse Gas Protocol as guidelines.

4.4 Community Health and Safety

As established in Action 18 of the ESAP, together with the MTPW, the Consortium will prepare a Community Relations Plan complementing the similarly-named plan created by the MTPW. At the very least, this plan will include the following: i) The appointment of responsibilities: for each work phase, Consortium personnel will be responsible for the implementation and supervision of the Plan; ii) Specific mapping of interested parties; iii) Information disclosure and community consultation procedure; iv) A receipt and resolution procedure for complaints, grievances and/or suggestions made by the community or any other third party, including those made anonymously; v) A plan for the preparation and issuing of regular reports aimed at informing the community on the advances made with the works and of the resolutions of any complaints or concerns raised by members of the community. A suitable physical space will be assigned to each project front so that personnel assigned by the Consortium can implement the actions envisaged in the Plan.

According to Action 19 of the ESAP, the Consortium will create a Community Factor Management Procedure, which as a minimum must include: the consideration of any sexually transmitted diseases (among other factors) and any shortages in the supply of basic services (health, police, food, water, electricity, waste management, etc.). Once these risks and impacts have been identified, the Consortium will collaborate with the local authorities and the MTPW local social team in the most economic and technical way possible to address these risks and impacts. In the case of private security firms being contracted, they must be in line with the principles of the United Nations (IFC Performance Standard 4).

In accordance with the Action 20 of the ESAP, the Consortium will prepare and implement a Road Safety Plan aimed at minimizing the impacts caused by the works on the local community, implementing at least the following: i) The identification, backed by the local authorities, of the routes and schedules of the trucks and machinery used in the construction works to minimize any potential impact on the safety and life quality of the local community; ii) The appointment of Consortium personnel to direct diverted traffic or restricted traffic lanes; iii) training for employee or contractor truck drivers on how to drive when passing through certain social areas, what is permitted and what is prohibited; iv) Tire washing when leaving temporary structures or quarries, especially if there is mud, so as to avoid dumping mud on the streets and roads; v) Continuous visual monitoring of the maintenance and functionality of the vehicles used in the works and the application of corrective measures, whenever necessary.

4.5 Land Acquisition and Involuntary Resettlement

At the request of IDB Invest and of the other entities financing the project, the MTPW National Topography Department has been authorized, by the head of said body, to share the monitoring process of the involuntary resettlement related to the Project, with the Consortium's social team and specialists from the financing entities.

According to what was informed by the MTPW Topography Department, a total of 639 blocks were identified as being subject to expropriation, including, as of February 26, 2019, 269 rural blocks (mainly in the Florida department) and 370 urban blocks (mainly in the departments of Montevideo and Canelones). As of the aforementioned date, 58% of the expropriation processes had been all but completed, with 3% of the cases being subject to a judicial decision. As of February 26, 2019, the MTPW had detected 40 cases of intrusion onto the railway route in the departments of Montevideo and Canelones, including 17 houses with occupants (not owners), 3 small businesses (2 to be relocated, 1 to be adjusted) and other more minor situations (walls, steps, etc.) which all need to be removed. The total number of cases subject to relocation reached 26 including residencies and settlements. [3]

It must be noted that we cannot rule out the need of additional expropriations as a result of the

master plan being presented by the Consortium. This is why the definitive list of the blocks to be expropriated will be available once the master plan has been submitted.

The strategy adopted by the MTPW in the cases of relocation (those who are not homeowners), of which there are 26 cases in total, has been to enter into a Framework agreement with the MTPW and the Ministry of Housing, Land Use Planning and the Environment. This agreement includes: (a) The transfer of homes that will become property of the MTPW through expropriation, so that the MVOTMA can implement the relocation process (the MVOTMA is the legal institution for the adjudication of residencies, (b) the money transfer for temporary leases and any related costs for families being relocated for the period between the moment they need to leave their homes and the moment that are effectively relocated, (c) the money transfer for the purchase of occupied homes (if the homes available for expropriation were fewer than the families to be relocated).

The criteria used to appoint fully expropriated homes to individuals being resettled takes into account the family composition and dynamic (number of family members, ages, inter-family ties, work and study places, places frequented) and the situation of the homes (number of bedrooms, square meters, available land, distance from original home).

The communication with registered owners (those who are to be expropriated or who in some way intrude on the route), route intruders and non-homeowner residents in homes that are going to be affected, was initiated through visits made by the MTPW team and has been smooth and ongoing.

The construction work of a trench in the town of Las Piedras requires the removal of a market that sells various goods (mainly clothes) located in a public space beside the railway station. According to the Census carried out by the Canelones City Hall on December 10, 2018, there are 52 stall owners in the market, all with non-regulated conditions. After speaking with the stall owners, the Municipality of Las Piedras and the Canelones City Hall agreed to temporarily relocate the market to another agreed site during the construction works for the railway. The market will later be relocated to a site chosen through an urban project approved by the Municipality.

According to the Action 21 of the ESAP, the Consortium, through its social specialist, will take part in regular meetings to review the progress of the expropriation and relocation of individuals carried out by the MTPW Topography Department, together with specialists from the financing entities. The results will be regularly documented and sent to the financing entities in the Environmental and Social Compliance Reports.

4.6 Biodiversity Conservation and sustainable management of living natural resources

The project will be carried out in habitats that have been largely adapted for agricultural and livestock activity. No critical habitats have been identified as being affected by the Project, nor have there been any threatened species or any species in danger of extinction identified within the area directly influenced by the Project.

The effects on ecosystems, as an eventual result of the construction works, is generally considered non-significant, as these ecosystems have already been altered by anthropic activities and the invasion of exotic species. However, when considering the impacts on the native vegetation, soil and wildlife as a result of the construction of the temporary structures, access roads and material stores, among other activities, the Consortium plans on creating a Biodiversity Management Plan focused on minimizing the effects on the natural environment and mitigating the impacts of any waste. The Biodiversity Plan will be prepared once the master plan is completed and may result in the reconsideration of certain design aspects of the works; the Plan will especially focus on minimizing the effects on the Santa Lucia Wetlands (a Protected Species Management Area between the towns

of Progreso and 25 de Agosto).

As established by the Action 22 of the ESAP, the Consortium will submit the Biodiversity Plan to the IDB Invest environmental and social unit for review before submitting the final version to the MTPW. The aim of this review will be to ensure that said Plan effectively complies with the requirements of IFC Performance Standard 6.

4.7 Cultural Heritage

The cultural heritage research from the EIA assessment has identified two main assets: a) archaeological heritage contained in public and private collections corresponding to the latter Pleistocene period and the Holocene period, located in the mid-basin of the Rio Negro; the study of this archaeological record helps in the knowledge and understanding of prehistoric human occupational habits in the area; b) ruins that are part of a cultural heritage site that needs to be preserved from any potential negative impacts caused by the works.

The existence of any prehistoric sites while laying the route is highly likely. It is expected that the archaeological sites be located at the edges of the borders of the main streams (for example, Canelón Grande, Pintado, Sarandí and Villasboas) and it is highly expected that they are located at the edge of the Santa Lucía, Yí and Negro rivers.

The protected area of the Rupestre de Chamangá site, located to the East of the city of Trinidad, in the Flores department, consists of a 12,000-hectare area, in the micro-basin of the Chamangá stream, it has the largest number of rock paintings in Uruguay (41 registered paintings). According to the EIA study, the railway project works will not directly affect the aforementioned archaeological findings. The possibility of discovering non-documented archaeological findings cannot be ruled out, and those already accounted for may be affected.

In the EIA study, eight Historical Monuments were identified (Paso de los Toros Train Station, Almacén del Alto, Canning Station, Estancia y Bodega La Cruz, Cooperativa 25 de Mayo, Establecimiento Juanicó SA, Colón Train Station and its outbuildings). Five Departmental Monuments were also identified; three in the Durazno department (Molles Station, Durazno Station, the Bridge and Head gate over the Rio Yi), one in Florida (Military Fortress) and one in Canelones (Las Piedras Station). In the EIA, 29 railway stations of cultural interest have been identified, whose condition is generally good. Preventive measures indicate that none of the stations should be used as a workshop, dining room or storage area and that no new or service facilities of any kind should be introduced in the areas of the stations' passenger platforms.

The protection instruments recommended in the EIA study are specified according to the magnitude of the potential impact (moderate, severe or critical), consisting in most cases of continuous monitoring of construction operations that involve a risk to cultural heritage or the designation of non-innovation zones or the establishment of buffer areas.

In accordance to the provisions of Action 23 of the ESAP, the Consortium will hire a competent professional (archaeologist) to assist with the identification and protection of the cultural heritage. This professional will be responsible for preparing an operating procedure, indicating preventive actions and response to eventual archaeological discoveries during the execution of the works, in accordance with legal requirements and with IFC Performance Standard 8. This procedure will be mandatory for both employees and contractors. All personnel involved in excavation, soil removal or earthworks shall be periodically trained in the procedure. In case of fortuitous discoveries, the professional hired by the Consortium will present himself immediately at the site to collaborate with the authorities regarding the actions that must be carried out.

5. Updated Environmental and Social Action Plan (4)

File attached.

[1] The original version of the ESAP is included in the IDB Invest Loans 122278-01 - October 21 2019. The Updated ESAP, has been prepared exclusively for the subordinated loan; this updated version includes two new actions (actions 2 and 17) which have been added to the original version.

[1] The materials recuperated from the dismantling of the railway between Montevideo and Paso de los Toros (rails and sleepers), as well as the new rails to be used on the railway will be transferred to the Rio Branco Line and will be placed between kilometer 26 (Toledo) and 334 (Treinta y Tres), as well as other destinations.

[2] <https://www.dinama.gub.uy/oan/proyectos/proyecto-ferroviario-montevideo-paso-de-los-toros/>

[3] In Uruguay, a settlement is defined as a “group or 10 of more houses located on public or private land, built without the authorization of the owner, in classified irregular conditions, with no respect of the urban standards.

[4] The original version of the ESAP is included in the IDB Invest Loans 122278-01 - October 21 2019. The Updated ESAP, has been prepared exclusively for the subordinated loan; this updated version includes two new actions (actions 2 and 17) which have been added to the original version.

For inquiries and comments to IDB Invest, please contact: IIC’s Communications Group

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For project inquiries, including environmental and social issues related to an IDB Invest transaction, please contact the client using the information provided above. Also, as a last resort, affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism.

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