

Environmental Classification: This is a category III project according to the IIC's environmental review procedure because specific impacts may result which can be avoided or mitigated by adhering to generally recognized performance standards, guidelines and design criteria. The principal environmental and labor issues related to this project include liquid effluent treatment, solid waste disposal, emergency response plan, fire safety, and employee health and safety.

Environmental Compliance: In Paraguay the Evaluation of Environment Impact law (Ley No. 294/93) requires and defines the contents of an EIA for all new investments that have impacts that might be harmful to the environment. This is a two-stage process requiring first the submission of a Basic Environmental Questionnaire (Decreto No. 14.281/96) providing information about the proposed project, identifying the problems and their effects and proposing solutions. The Basic Environmental Questionnaire is evaluated by the Environmental Secretary who provides instructions on specific issues to be addressed in the environmental impact study. The sponsors have submitted and received comments on their Basic Environmental Questionnaire and are preparing their response.

During the appraisal, the sponsor provided information, including its Basic Environmental Questionnaire and response from the Environmental Secretary, on how it is addressing and plans to address environmental and labor issues and demonstrate that the proposed project will comply with applicable national, regional, and IIC requirements. The information provided about how these potential impacts are addressed by the project is summarized in the following sections.

Land Use: The hotel will be located on a site that has been approved by the Asuncion municipal director for urban development. Prior site use, as a private residence, did not involve practices that may have caused land contamination. The project site is not located near sensitive habitats, and no resettlement or economic displacement will occur as a result of the project. The site is not prone to flooding.

Water Supply: Drinking water is supplied by the state owned company called Corposana and meets World Health Organization requirements. In addition, bottles of water are also provided in the rooms and restaurant of the hotel.

Liquid Effluent Treatment: The waste waters will be pretreated in grease traps prior to being discharged into the hotel sewage system for further treatment. The sponsors have agreed to implement a septic system followed by a recirculating sand filter. Technical information regarding the standards of the septic system and filter were provided to the sponsor during the appraisal. Storm waters are discharged into the urban storm sewer system.

Solid Waste Management: Solid waste will be collected and disposed of in accordance with local laws and regulations. During the construction phase the sponsor will minimize the generation of solid waste.

Air Emissions: The hotel's air conditioning system and food storage facilities will not use CFC-based refrigerants, thereby complying with international non ozone depleting guidelines. Air emissions will be minimal since the on-site generators will only be used in case of emergencies. At all other times the hotel will be connected to the local electricity grid.

Building Safety: The hotel's design and construction plans will be reviewed by the local civil works and engineering authorities and Sheraton for compliance with international and local regulations. A construction permit will be issued by the relevant authorities. During construction, the sponsors will ensure that the contractors provide workers with the necessary safety equipment and follow safe

working practices.

Fire Safety and Emergency Response: A comprehensive fire protection and life safety system will be implemented. Rooms and public areas will have fire evacuation signs displayed with information on the appropriate escape routes and evacuation procedures. There will be both an internal and an external emergency exit stairway. The public areas will have sprinklers installed. The kitchen area will have automatic fire fighting systems, fire blankets, and foam extinguishers. The public areas will have fire extinguishers and hose reels. The emergency exits will be lighted and clearly marked. The sponsors will certify that the fire protection and life safety systems meet Sheraton and NFPA guidelines.

The sponsor will be required to prepare an emergency response plan. A copy of such a plan was provided to the sponsor during the appraisal. The emergency response plan will include training of the staff on first aid, and fire evacuation procedures and will require periodic simulation drills. The plan contemplates that there will be a well trained fire and emergency response team available at all times.

Based on its review of available information regarding potential environmental impacts and proposed mitigation measures, IIC concludes that the proposed project is being designed to meet IIC environmental, health and safety guidelines and Paraguayan requirements.

Labor: The hotel's workers are unlikely to be members of a labor union. The hotel's salary structure, benefits, and incentive structures are expected to exceed the minimum requirements of Paraguayan law. Staff will be continuously upgraded through attendance of courses offered by the hotel and Sheraton.

Monitoring and Compliance: The hotel will be required to implement an environmental management plan (EMP) that is acceptable to the IIC. The EMP will include (1) a description of the projects environmental and safety management systems, (2) implementation schedule for all of the environmental and safety items mentioned, and (3) the annual monitoring requirements. During the life of the project, IIC will monitor ongoing compliance with its own Environmental and Labor Review Guidelines policy by evaluating monitoring reports submitted annually to IIC by the sponsor and by conducting periodic site reviews during project supervision.