



## **Environmental and Social Review Summary**

### **Imports/Exports/Transits Inspection Services**

*This Environmental and Social Review Summary (ESRS) is prepared by MIGA staff and disclosed in advance of the MIGA Board consideration of the proposed issuance of a Contract of Guarantee. Its purpose is to enhance the transparency of MIGA's activities. This document should not be construed as presuming the outcome of the decision by the MIGA Board of Directors. Board dates are estimates only.*

*Any documentation which is attached to this ESRS has been prepared by the project sponsor, and authorization has been given for public release. MIGA has reviewed the attached documentation as provided by the applicant, and considers it of adequate quality to be released to the public, but does not endorse the content.*

Country:	El Salvador
Sector:	Services
Project Enterprise:	Cotecna de El Salvador SA de C.V.
Environmental Category:	B
Date ESRS Disclosed:	04/25/2013
Status:	Due Diligence

#### **A. Project Description**

The proposed project is a ten (10) year import, export and transit verification project in El Salvador under the *Concession Contract for Goods Inspection Services through the Use of Non-Intrusive Equipment and Services*. A consortium (Union de Personas or UDP) created by Cotecna S.A. (COSA) of Switzerland and Smiths Heimann GmbH of Germany has been contracted to provide a number of services to the Government of El Salvador (GoES). The establishment of a consortium consisting of a “leading inspection company and a global scanning equipment manufacturer” was a requirement of the call to tender by the GoES and as a result Cotecna de El Salvador Sociedad Anonima de Capital Variable (Cotecna de El Salvador SA de CV or Cotecna El Salvador) was established. The contracted services include financing, procurement, installation, operation and maintenance of non-intrusive inspection equipment, including nine (9) high-energy X-Ray scanners, six (6) X-Ray pallet scanners, seven (7) trace detectors to detect explosives, drugs and precursors, four (4) truck weighbridges, and one (1) data control center (DCC) at the Customs headquarters in addition to training to GoES’ agents. Inspection service is to be provided to two (2) seaports, one airport and five (5) land borders.

Cotecna El Salvador is currently in the initiation/set-up phase. The project infrastructure, at minimum, in each site includes fencing, radiation protection walls (if required), roofing to cover the scanning area, offices and, in certain sites, physical inspection warehouse. The scanners will be installed in dedicated access controlled customs area within port and border sites, which have restricted access from the public. The construction phase started in April 2013 with the manufacturing of modular elements as metal structure for roofs, concrete blocks for radiation walls, etc. Equipment is planned to be installed starting mid-August 2013 and initial operation is planned to start by mid-November 2013.

MIGA has issued guarantees to five (5) other Cotecna projects in the Republic of Congo, Niger, Nigeria, Senegal, and Togo. MIGA has been asked to provide a Guarantee to Cotecna S.A



(COSA) holding for Cotecna El Salvador (Project Enterprise); details are in the Summary of Proposed Guarantee (SPG) disclosed on 04/25/2013.

## **B. Environmental and Social Categorization**

The key environmental and social (E&S) risks associated with the project's business activity are the safe operation of equipment, exposure of employees to radiation, fire and safety, occupational health and safety (OHS) and security personnel. The E&S risks are limited, generally site-specific, and readily addressed through mitigation measures, thus the project is classified "Category B" under MIGA's Policy on Social and Environmental Sustainability.

## **C. Applicable Standards**

While all Performance Standards (PSs) are applicable to this guarantee project, based on our current information the project will have impacts which must be managed in a manner consistent with the following PSs:

- PS 1: Social and Environmental Assessment and Management Systems
- PS 2: Labor and Working Conditions
- PS 3: Pollution Prevention and Abatement
- PS 4: Community Health, Safety & Security

PS 5: *Land Acquisition and Involuntary Resettlement* and PS 6: *Biodiversity Conservation and Sustainable Natural Resource Management* are not expected to be relevant as all project sites are located within government designated existing operating custom ports and border areas. PS 7: *Indigenous Peoples* does not apply as no impacts on such individuals or groups are expected and PS 8: *Cultural Heritage* also does not apply as there is nothing of cultural significance on or near the existing sites.

The project will also comply with the World Bank Group (WBG) General Environmental, Health and Safety (EHS) Guidelines.

## **D. Key Documents and Scope of MIGA Review**

The documents reviewed by MIGA include:

- Environmental and Social document dated 02/14/2013, prepared by Cotecna Inspection S.A (operational arm of COSA holding), including (i) Human Resources principles ; (ii) Health & Safety principles; and (iii) Training programs;
- Cotecna Niger Fire Protection Procedure dated 2007 that will be translated for Cotecna El Salvador;
- Cotecna Niger Instruction for Radiation Protection (of workers and public) dated 12/03/2010 that will be translated for Cotecna El Salvador;
- Cotecna Niger Instruction for Radioactive Material Detection (in cargos) dated 12/03/2010 that will be translated for Cotecna El Salvador;
- International Standard Organization (ISO) Group certification ISO/IEC 17020:1998 for General Criteria for Operation of Various Bodies Performing Inspection;
- Cotecna Quarterly Report to MIGA dated March 2013;



- 2012 Annual Activity Report: Cotecna, prepared by COINS; and
- Definitive Application for a MIGA Guarantee.

MIGA's review of this project also included correspondence comprising of environmental and social information submitted by COSA and Cotecna Inspection S.A.

### **E. Key Issues and Mitigation**

COSA agreed to present an E&S management plan in accordance to an agreed time frame to address the potential E&S risks and impacts to ensure that the proposed project will upon implementation of the specific agreed measures, comply with the E&S requirements and regulations of El Salvador, the MIGA Performance Standards on Social and Environment Sustainability and World Bank Group environmental, health and safety (EHS) guidelines. The information about how these potential impacts will be addressed by the project is summarized in the paragraphs that follow.

#### PS 1: Social and Environmental Assessment and Management Systems

*Social and Environmental Assessment:* The project does not need to develop environmental and/or social impact assessment(s) as permits and license(s) are part of the tender documents that is the responsibility of the GoES. Cotecna El Salvador will need "operations" permit from the National Radiation Regulation Authority (UNRA) to utilize scanners and will be obtained prior to beginning of operations.

*Management Program:* Cotecna Inspection S.A, operational arm of COSA, has developed environment and social management systems (ESMS) for other projects supported by MIGA, and COSA agreed that those systems will be used as basis for Cotecna El Salvador to develop its own systems. Each site in El Salvador will have specific procedures that correspond to the site specific conditions and these procedures will be prepared prior to operations. The ESMS will include health and safety plans and procedures, standard operating procedures for scanning and radioactive detection and fire and safety procedures. During due diligence, MIGA reviewed procedures for Cotecna Niger project, recently supported by MIGA. The Cotecna Niger' standard operating procedures for radioactive detection adequately spell out the process to scan and detect radioactivity, the role and responsibilities of the image operator, safety officer, image cabin supervisor and others, as well as listing the devices to be used and emergency preparedness procedures. Cotecna Inspection S.A is certified by the United Kingdom Accreditation Service on 05/13/2011 for International Standard ISO/IEC 17020:1998 for General Criteria for operation of various bodies performing inspection, and ISO 9001:2008 (expiry date 09/28/2014) for Quality Management.

During construction, there is no separate E&S management system; Cotecna confirmed that the construction of the sites have been sub-contracted to the contractor McMillan Construction. The Country Manager of Cotecna El Salvador and the management of the contractor meet regularly to discuss project progress and E&S issues or incidents are highlighted to Cotecna. COSA will request the contractor to implement health and safety procedures in accordance with international requirements and MIGA Performance Standards. Cotecna is also strictly following the design principles given by the scanner manufacturer with respect to radiation protection.



*Organizational Capacity and Training:* Cotecna El Salvador Operations Manager is responsible for radiation protection and the overall implementation of the E&S management systems supported by Radiological Safety Officer(s). Cotecna El Salvador Operations Manager reports to the Group Scanner Manager in COSA Head Office. COSA confirmed that training will be provided to all employees and GoES Customs' agents on procedures and implementation of the E&S management system prior to operation.

*Monitoring and Reporting:* Cotecna El Salvador will develop an E&S management plan, and health and safety plans and procedures. These plans and procedures will address the potential environmental, health and safety risks associated with the project and include information regarding ongoing training and monitoring.

*Emergency Preparedness and Response:* As mentioned earlier, Cotecna El Salvador will build on previous systems and plans to prepare the Emergency Response Plan including Fire Safety. The standard operating procedures for radioactive detection include emergency preparedness section; Cotecna Inspection S.A also shared the fire safety procedures for Niger that complies with MIGA E&S requirements. The Fire safety plan adequately reflects the roles and responsibilities, procedures, incident reporting and training.

#### PS 2: Labor and Working Conditions

Cotecna El Salvador plans to employ about 135 employees across all project sites, with female employment estimated at 30%. Hiring of staff has not started but will commence prior to operations and positions will be advertised via local media and at the Cotecna office. Employment of Salvadorian nationals will be a priority at all levels.

At this stage, Cotecna El Salvador does not have a human resource (HR) manual, but in establishing one COSA confirmed to MIGA that Cotecna El Salvador HR policies and procedures will comply with El Salvador's Labor Code (Código de Trabajo de El Salvador). Cotecna Inspection S.A has a Human Resources (HR) division to oversee all HR related activities at all investment projects and might hire a labor expert for the El Salvador project to ensure full compliance with host country requirements. COSA confirmed to MIGA that HR rules and practices across the international operations of Cotecna are consistent with and guided by international standards. The HR department will ensure compliance with relevant labor laws as well as compliance with MIGA's PS 2 requirements.

COSA confirmed that labor practices will include probation period for newly-hired employees as well as pre-employment medical test and annual check-up (as applicable) in compliance with national labor code. Cotecna's HR policies require induction training for all employees on site, including the handling and operation of the equipment. Grievance mechanism will be developed in accordance with PS 2 requirements to enable employee concerns to be raised to Cotecna El Salvador management.

Cotecna Inspection's policies and procedures ensure that no child labor is directly employed in any manner in its operations. Cotecna also ensures a non-discriminatory and equal opportunity work environment.



The key health issue associated with scanner technology is exposure to radiation. The project design incorporates all required safety training and auditing procedures. Cotecna is operating scanners that have been built according to the most stringent rules and practices regarding safety, which conform in particular to the EU or US regulations, Cotecna warrants that the project design will incorporate all required safety monitoring, training and auditing procedures. Cotecna warrants that the scanners' Radiological Safety System - consisting of a high-reliability, fail-safe, logic controller and associated safety sensors autonomously guarantees safety in and around the scanners, so that the installations are safe for its operators, drivers, and those working in the vicinity. Moreover, there is no permanent radioactive source in the scanners so there is no risk of radiation hazard when the scanner is not in use. The operation of the scanners is constantly controlled and monitored by a System Operator and marshaling staff through CCTV and direct supervision. The maintenance of the scanners is ensured under the direct control of the manufacturer. The scanners fully comply in particular with the World Health Organization (WHO) and International Commission on Radiological Protection (ICRP) regulations and recommendations. Such scanners are widely spread in many places around the World.

Cotecna's program encompass the use of individual dosimeters (radiological films), to measure personal exposure to radiation and electronic dosimeters to measure the 'ambient' radiation produced by the scanner. Cotecna and Customs Agents working near the scanner are equipped with dosimeters to measure personal exposure to radiation. Dosimeters are analyzed and replaced every three months according to standards. The electronic dosimeters in the scanning equipment are calibrated yearly. Similar to other projects of Cotecna, a joint employer-employee occupational health and safety committee will be established to monitor health and safety conditions of the project.

### PS 3: Pollution Prevention and Abatement

The scanning operation is a fairly simple operation which generates minimal wastes and emissions. MIGA's assessment considered the project's operations with regard to resources consumption (water, energy, fuel), efforts to optimize resource inputs, waste minimization and management practices. Cotecna confirmed that there is no permanent radioactive source in the scanner so no risk of radioactive pollution.

Electricity and water in all sites are obtained from the respective municipalities and the grid. Overall energy consumption by scanners is about 60 kWh (kilowatt hour) and offices are estimated at about 30 kWh. Cotecna will install backup diesel generators, one per site, with capacities ranging from 60-80 kVA (kilovolt-ampere). Cotecna El Salvador is not yet operational so actual usage of backup generators cannot be identified at time of due diligence, yet usage is planned to be not more than 10% of the operational time and therefore should not result in considerable amount of emissions.

Cotecna confirmed that sites will ensure proper housekeeping, segregation of flammables (e.g., small quantities of diesel if stored at the site), and ensuring waste and recycling collection is regularly carried out by third parties. Dosimeters will be disposed of by a certified laboratory.



PS 4: Community Health, Safety & Security

The scanning area in the seaports or airport perimeter is specified for Cotecna El Salvador and Customs, and non-authorized personnel are not allowed to enter the premises. Similarly land borders include a custom designated area where Cotecna El Salvador will be operational. COSA confirmed that scanner sites are usually surrounded by a 3.5 m (meters) concrete wall where necessary for radiation protection. Wire-mesh fences complement the safety/security of the sites where necessary. Entry and exit are controlled by traffic marshals and no un-authorized personnel are allowed in the scanning area. The scanning area is also monitored by CCTV and audible alarms signal the personnel and drivers when x-ray scanning is taking place or about to.

*Security Personnel:* In cooperation with public security services, Cotecna will engage private, unarmed security guards to secure its offices and scanner sites at all locations. Cotecna's private security will be managed in accordance with PS4 as well as local laws and professional standards.

**F. Environmental Permitting Process and Community Engagement**

Given that the project involves small physical installations within secure customs areas at ports and borders, environmental permitting and community consultation/engagement are not required for this project.

**G. Availability of Documentation**

There are no attachments for this ESRS document.