

## Legal Due Diligence

**PROJECT TITLE: Light Rail Transit for the Metropolitan Area of San José (GAM).**

**ACCREDITED ENTITY: CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION (CABEI)**

*Please provide the following information:*

1. *Details of any government or regulatory approvals, licenses or permits required for implementing and operating the project/programme, the relevant issuing authority, and the date of issuance or expected date of issuance.*

**Response:** Relevant information is provided in the table 1 that follows, which contains information on the project's outputs, and the applicable government approvals, licenses or permits required for the implementation of the project.

2. *Describe applicable taxes (or exemptions thereof) and foreign exchange regulations related to the project/programme.*

**Response:**

- In accordance with the article 6 of Law 9366 /2016, Instituto Costarricense de Ferrocarriles (INCOFER) is exempt from the payment of tariffs, sales taxes, selective consumption tax, vehicle property tax, registration rights and any other tax, fee or surcharge levied on the sale, delivery, importation or registration of machinery, equipment, vehicles and, in general, on the goods and services acquired or contracted for the construction, operation and maintenance of the interurban electric train of the Greater Metropolitan Area (Light Rail Transit for the Metropolitan Area of San José (GAM)). Also, the article 1 of Law 9366/2016 modified article 44 of Law 7001/1985, including the income tax exemption for INCOFER
- The future concessionaire shall pay the taxes applicable to it in accordance with the regulations and laws.
- The disbursements and payments made directly by CABEI, either with its resources or the resources from the GCF, benefit from the tax exemption.
- Loan agreement No. 2241/2020, signed between National Government of Costa Rica and CABEI, includes a clause (section 14.05 Tax Exemption) stating that the loan agreement and its contents are exempt from the payment of all taxes.
- Disbursements will be in US \$

3. *Details of any insurance policies or requirements related to the project/programme.*

**Response:** The future concessionaire, as part of the conditions precedent to be fulfilled, must subscribe insurance contracts and obtain property protection and third-party liability policies in accordance with the usual practices in international concession contracts.

**Table 1. Applicable Regulations and Government Approvals**

Component	Outputs	Regulations/Issuing Authority and Date of Issuance
1. LTR system	1.1 Infrastructure and systems with the main elements being rail track, rail stations, electrification, signalling, train depot and workshops, communication systems and rehabilitation of affected services. This component also includes urban integration, rehabilitation of historic patrimony and waste management;	<ul style="list-style-type: none"> <li>- Concession contract: a contract which includes the right to design, build, operate, maintain and commercially exploit the project and transfer it at the end of the 35-year concession period. This contract is regulated by the Law No. 7762/1998 of Public Works with Public Services Concession.</li> <li>- An Environmental and Social Impact Assessment (ESIA) and an Environmental and Social Management Plan consistent with the requirements for a Category A project will be elaborated as a part of the Environmental Impact Assessment in order to obtain the environmental license according to legal requirements of the environmental legislation of Costa Rica (Executive Decree N° 31849/2004 General Regulation on Environmental Impact Assessment Procedures (EIA) and Executive Decree N° 32966/2006 General guide for the preparation of Environmental Impact Assessment), enforced by the National Environmental Technical Secretariat (SETENA). This ESIA includes compliance with all relevant regulations and the corresponding permits e.g. concerning water, air, noise pollution, social aspects etc. ESIA and ESMP are realized by the train concessionarie as during the detailed design phase</li> <li>- Construction permit for the stations to be issued by the corresponding municipalities according to the Law for Urban Planning No. 4240 and its norms (regulation for construction, issued in "La Gaceta" No. 56 on March 22<sup>nd</sup>, 1983)</li> </ul>
	1.2 Rolling stock	No government or regulatory approvals, licenses or permits are required for this component.
	1.3 Financing charges	No government or regulatory approvals, licenses or permits are required for this component.
	1.4 Others, including acquisition of land and buildings, design and implementation and indirect costs (administration, profit, contingency). This component also includes environmental and social measures.	<ul style="list-style-type: none"> <li>- Expropriations will be carried out under the national expropriation regulations (Law No. 7495/1995) and considering the mitigation measures established in the environmental and social action plan. This law indicates the administrative processes to be followed to compensate the persons or companies that own property where some new sections of the current route of the LRT will have to be traced, as well as the relocation of the persons who will be affected.</li> <li>- As part of the contractual obligations of the credit (loan agreement No. 2241/2020) signed between National Government of Costa Rica and CABI, the Concessionaire must develop and implement a Resettlement Action Plan (RAP), including land acquisition and expropriations, economic restoration and donations of land (if applicable) in accordance with current national regulations and with the implementation of the corresponding protocols.<sup>1</sup></li> </ul>

<sup>1</sup> CABI (2020), Loan Agreement No 2241, pages 35-36, 42.

Component	Outputs	Regulations/Issuing Authority and Date of Issuance
		<ul style="list-style-type: none"> <li>- In the framework of the contractual obligations of the credit (loan agreement No. 2241/2020) signed between the National Government of Costa Rica and CABI, INCOFER or the Concessionaire must design and implement an Environmental and Social Management System (ESMS), which includes all the requirements contained in the best international practices and standards and which includes the execution of the plans, procedures, strategies and mechanisms considered for environmental, social and health and safety management.<sup>2</sup></li> </ul>
2.NMT and TOD	<p>Infraestructure investments:</p> <p>2.1 Cycle lanes: 21 km of segregated cycle lanes connecting 8 LRT stations. At stations parking facilities for cyclists are established including mass parking stations for bikes with optimal lighting and safety measures. Along critical cycle lanes cameras are installed for improved safety (important e.g. to ensure higher female usage);</p> <p>2.2 TOD components including improved walkways, pedestrianization, multi-modal integration with other modes of transport (including e.g. electric charging station for buses), improved accessibility including e.g. the construction of various access bridges for pedestrians and bicycles to avoid dangerous crossings or to reduce walking distances and greening of spaces including arborization measures.</p>	<p>TOD and NMT infrastructure must comply with:</p> <ul style="list-style-type: none"> <li>- National technical standard INTE W42:2018 issue by National Institute of Technical Standards of Costa Rica): Cycling infrastructure requirements (dimensions, materials, colors, demarcation and road signs, among others).</li> <li>- National technical standard INTE W58:2019 issued by National Institute of Technical Standards of Costa Rica: Bicycle parking lots. This norm seeks to standardize bicycle parking spaces by classifying them into short or long stays and to establish parameters of minimum amounts of bicycle parking available according to their location.</li> <li>- Guidelines indicated in the Law 9660/2019 Mobility and Cycling Safety.</li> </ul>
3. Capacity Building and gender measures	<p>3.1. Establish monitoring system and monitor impacts of LRT, TOD and NMT interventions: Fully operational monitoring and reporting system on LRT, NMT and TOD components incl. institutional structure).</p> <p>3.2 Deliver capacity building and outreach: Knowledge products are developed and results disseminated - Realize publications on project components with a focus on NMT/TOD and realize outreach events.</p> <p>3.3. NMT promotion activities (Multiple promotion activities to foster cycle and micro-mobility usage).</p> <p>3.4 Implement gender action plan.</p>	<p>No government or regulatory approvals, licenses or permits are required for this component.</p>

<sup>2</sup> CABI (2020), Loan Agreement No 2241, pages 39, 43 y 44.