

Public

Environmental and Social Data Sheet

Overview

Project Name:	BDE WATER AND SANITATION
Project Number:	2018-0675
Country:	ECUADOR
Project Description:	Intermediated framework loan through Ecuador's development bank to partly finance investment projects in the sanitation sector and located throughout the country.
EIA required:	This is a multi-scheme Framework Loan operation. Some of the schemes might require an EIA.
Project included in Carbon Footprint Exercise ¹ :	no

Environmental and Social Assessment

Environmental Assessment

The Promoter and Financial Intermediary of this Framework Loan is Banco de Desarrollo de Ecuador (BDE). The final beneficiaries will be several municipalities in Ecuador. The Environmental Protection Authority at National level is the Ministry of Environment (Ministerio del Ambiente).

The Project supports the modernisation, the replacement and extension of wastewater and stormwater infrastructure in several Municipalities (Gobiernos Autónomos Descentralizados or GADs) of the country. Water supply projects are also eligible. The Project is aligned with the National Water and Sanitation Strategy of Ecuador (ENAS), whose main objective is to achieve by 2030 “universal access to water and sanitation services, ensuring their quality and sustainability”.

Most of the project schemes (sub-projects) to be financed under this Framework Loan will be designed to reduce the negative environmental impacts of discharging untreated wastewater into water bodies, in line with the national legislation.

¹ Only projects that meet the scope of the Carbon Footprint Exercise, as defined in the EIB Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: 20,000 tonnes CO₂e/year absolute (gross) or 20,000 tonnes CO₂e/year relative (net) – both increases and savings.

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Compliance with Environmental Legislation

The main legal documents governing the EIA procedure in Ecuador are: (i) the National Constitution which includes several articles for the protection, control and care of the environment and the “*rights of Mother Earth*”; (ii) Law of Environment (Código Orgánico del Ambiente- 12/04/2018); (iii) Law of Health (Código Orgánico de la Salud- 22/12/2006) and (iv) Law of Water Resources Management (Ley orgánica de recursos hídricos, usos y aprovechamiento del Agua- 6/08/2014).

If the schemes were located inside the EU, it is expected that depending on the scope, they would fall either under Annex II (i.e. be subject to screening by the Competent Authority) or outside the scope of the Directive 2011/92/EU as amended by the Directive 2014/52/EU. Ex-ante approval of the allocation of schemes will be required to ensure compliance with the Bank’s Environmental and Social Standards including those on the protection of sites of nature conservation, where applicable. This will be assessed at allocation stage of each individual scheme.

An Environmental and Social Management Framework (ESMF) will be prepared by BDE, with support from external consultants. This ESMF will be used for screening of the schemes against EIB’s environmental and social standards (E&S Standards).

The National Environmental Competent Authority delegates the environmental competencies to the Municipalities (GADs) once these Municipalities are registered in the National System for Screening the Projects “Sistema Unico de Manejo Ambiental”. In it, the projects are categorized as I, II, III or IV according to the environmental risk:

- Category I only requires an environmental certificate.
- Category II requires an environmental fiche approved by the competent authority
- Category III requires a Declaration of Environmental Impact.
- Category IV requires to undertake a full Environmental and Social Impact Assessment (ESIA).

It is envisaged that the schemes would fall under the categories II and III. Only wastewater treatment plants of more than 5,000 m³/day would be categorized as IV.

For schemes requiring an ESIA, relevant information and compliance with the applicable legislation and the principles of the EU EIA directive will be checked before approving finance allocation. In particular, screening decision from local Competent Authorities will be made available to the Bank. The Bank will also require the Promoter to provide the ESIA for publication on EIB’s website.

Environmental Impacts

The project contributes to the protection of both surface water and groundwater bodies by avoiding the pollution of water due to the discharge of untreated wastewater and overflows of storm water drainage.

The schemes are expected to have minor environmental impacts during construction and no negative residual impact in the operation phase. Negative environmental impacts are associated with the period of construction and are considered localised and temporary:

- (i) dust and air emissions,
- (ii) impacts on water or soil in case of mismanaged waste and
- (iii) noise and vibrations.

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Sufficient measures to mitigate these impacts will be included in the Environmental and Social Management Plans (ESMPs) to be included in the ESIA's or in the DIAs (Declaración de Impacto Ambiental). BDE and its Project's Implementation Unit (Unidad Coordinadora de Proyecto) supported by specialised consultants, will ensure that construction activities are carried out in compliance with these mitigation measures. The specialised consultant will also ensure that the components financed by the Bank will be carried out in line with EIB's environmental and social standards.

It is not expected that the schemes will have any effect or impacts on nature conservation sites. However, this will be assessed ex-ante at allocation stage of each individual scheme.

Climate Action

The Project will have a significant contribution to Climate Action Mitigation which stems from the modal change from the discharge of untreated wastewater or onsite sanitation (which is the sanitation method in many areas of Ecuador), to centralised sanitation systems including sewage network and wastewater treatment plants with a significant reduction of Greenhouse Gas (GHG) emissions in the wastewater treatment.

Framework loans as a whole are not covered by the EIB's Carbon Footprint Exercise. Each sub-project will be included in the carbon footprint exercise if emissions are above the threshold.

Promoter's Environmental and Social capacity

The Promoter and Financial Intermediary (BDE) has the relevant experience in managing environmental and social management plans since it is familiar with the implementation of Environmental & Social Standards of multilateral institutions such as Interamerican Development Bank (IADB), World Bank (WB) and Confederación Andina de Fomento (CAF). Since 2015, BDE is implementing its operations in line with its Environmental and Social Standards (Sistema de Gestión Ambiental y Social -SGAS), which integrates the standards from IADB and WB. A Project Implementation Consultant will be available to support the Final Beneficiaries in the preparation and implementation of the schemes according to EIB's Environmental and Social Standards. This specialised Technical Assistance will also support BDE in the monitoring of the implementation of the schemes.

Social Assessment, where applicable

All schemes will positively impact the living conditions of the inhabitants in terms of health, sanitary conditions and quality of life. In addition, the investment will provide job opportunities during the work phases and the operation of the new assets.

Based on the information provided to the Bank, the potential schemes are not expected to require the acquisition of large parcels of land, nor to trigger permanent physical or significant economic displacement.

BDE will prepare a Resettlement Policy Framework (RPF) and a Stakeholder Engagement Framework (SEF) inclusive of a Grievance Mechanism (GM) to be coordinated with the implementing Municipalities, as part of the ESMF.

Compliance with EIB's social standards, such as those on occupational and public health, safety and security, labour standards, involuntary resettlement and stakeholder engagement will be further checked during appraisal of individual schemes, before allocating finance to

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schemes and during the implementation of the project. The technical assistance will support BDE in screening the schemes against EIB's social standards.

Labour and Working conditions

Ecuador has ratified all eight fundamental International Labour Organization (ILO) conventions. BDE will prepare the Occupational Health and Safety Management (OHSM) procedures, which will be followed by the contractors during the construction phase of the individual schemes. This OHSM will address the continuous identification of dangerous conditions, the evaluation of associated risks and the implementation of control measures. The bidding documents for tendering the works and the general terms of contract will include provisions in line with EIB's standard 8 (labour standards).

Indigenous People

The Environmental and Social Management Framework will include an Indigenous People Planning Framework (IPPF). This framework will be used in case the schemes proposed will affect Indigenous People in a specific area.

Public Consultation and Stakeholder Engagement

The schemes included in this Framework Loan will be consulted with stakeholders according to the applicable country legislation and in line with EIB standard. A stakeholder consultation framework will be prepared to define the channels, activities and a grievance mechanism applicable to the schemes. The schemes will be implemented by the Final Beneficiaries under the supervision of BDE and with the support of the technical assistance.

Conclusions and Recommendations

Given that full detailed information on the schemes is not available at this stage, environmental and social aspects will be verified at scheme allocation stage. The following undertakings shall be included in the finance contract:

- Before the first allocation request, BDE will prepare an Environmental and Social Management Framework (ESMF), drafted in line with the EIB's E&S standards and to the Bank's satisfaction. The ESMF will include a Resettlement Policy Framework (RFP), a Stakeholder Engagement Framework (SEF), a Grievance Mechanism (GM) and an Indigenous People Planning Framework (IPPF). In addition, BDE will prepare an Occupational Health and Safety Management procedures (OHSM) in line with National Legislation and EIB's standards. The ESMF will be used during the implementation of the whole project.
- BDE shall not commit any EIB funds against schemes that require an ESIA or biodiversity assessment according to national law without, prior to commitment, receiving the consent from the competent authority, and sending the EIA to EIB for publication on the Bank's website.
- BDE shall store and maintain updated the relevant documents (including environmental studies related to the ESIA's, Nature/Biodiversity Assessments, Environmental, Social Management Plans, Resettlement Action Plans and

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Stakeholder Engagement Plans) to be provided to the Bank upon request. In case the EIB requires such documentation, the promoter shall provide all documents requested promptly.

- BDE will ensure that the Final Beneficiaries shall implement and operate the subprojects in compliance with EIB's Environmental and Social Standards, and ILO core labour standards.

Considered the above, the project is acceptable for EIB financing from an environmental and social point of view.