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Environmental and Social Data Sheet

Overview

Project Name:	ANDE MASTER PLAN
Project Number:	2022-0850
Country:	PARAGUAY
Project Description:	The project is a Framework Loan that concerns the construction of the Emboscada substation and associated power transmission lines in Paraguay, in line with European and EIB strategic objectives of supporting the modernization, expansion and integration of electricity markets in Latin America. By reinforcing ANDE's electricity transmission infrastructure, this project will also support the implementation of other projects financed by the EIB with the European private sector in Paraguay.

E&S Risk Categorisation	High
Project included in Carbon Footprint Exercise ¹ :	no

Environmental and Social Assessment

Due to the nature of this Framework Loan operation, the final component location and size and their environmental and social (E&S) impacts are not fully determined at this stage. The majority of the allocations due to the size will require ex-ante approval by the Bank prior to authorising the use of its funds.

The Project is aligned with the EIB Energy Lending Policy, which includes EIB support for the long-term development of energy networks with priority to projects that enable the integration of renewables. The operation has been assessed for its Paris alignment. It is considered to be aligned for low carbon and resilience, in line with the policies set out in the Climate Bank Roadmap and with the EIB's Energy Lending Policy. The financing of the Project is supported by the Global Europe / NDICI, contributing to the achievement of the Bank's objectives in terms of Climate Action finance outside the EU.

Environmental Assessment

The main principles of environmental and social assessment practice enshrined in EU legislation, such as screening, scoping, independent review, public participation, disclosure and monitoring, are already present in the national legislation of Paraguay environmental law. In Paraguay, the Secretariat of the Environment (SEAM) is the competent authority responsible for managing and overseeing environmental policies, ensuring compliance with environmental laws such as the Law No. 294/93 "On Environmental Impact Assessment": establishes the backbone of environmental impact assessment system in Paraguay, the Decree No. 14.281/96 and Law No. 294/93, defining specific procedures and requirements, in addition Law No. 352/94 "On Protected Wild Areas" that establishes rules for the conservation of protected areas.

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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The components of the framework loan are widely defined in scope and size, consisting in a substation (500/220 kV) located Emboscada to be executed in proximity of Asuncion (Paraguay) and two transmission lines, one of 500 kV and the second of 220 kV with an expected length approx. of 10 km and 5 km to connect the substation with two different already existing transmission lines. However, the final location and length has not yet determined by the Promoter and it will be responsibility of the Contractor as part of his scope of work under the contract that will be signed with the Promoter.

The operation will be co-financed with Inter America Development Bank (the co-financier, "IDB") that supported the Administración Nacional de Electricidad (ANDE, the "Promoter") with a technical assistance to produce a series of environmental and social documents intended to support the future Contractor in obtaining the environmental license.

The technical assistance resulted in the preparation of a draft Environmental and Social Assessment (ESA) and an Environmental (equivalent to a Framework ESIA) and Social Management Plan (ESMP) and other documents, that follow the environmental and social standards of IDB Environmental and Social Policy Framework.. The draft includes a comparison between the different standards. The draft documents were published on the IDB website. It also includes an option analysis, supported by a multicriteria assessment to identify the most suitable alternatives. This analysis was based on a general polygon representing the potential areas for the investment. However, it does not finalise the location of the investments, which will be determined by the Contractor once selected.

The document package contains a draft Environmental and Social Management Plans (ESMP), "Planes de Gestión Ambiental y Social (PGAS)" to identify, manage, and mitigate environmental and social impacts of projects, especially in sectors like infrastructure, energy, or development containing the following components: a Biodiversity Management Plan – Biodiversity Conservation and Sustainable Management of Living Natural Resources indicate to protects ecosystems and promotes sustainable use of flora and fauna and Disaster Risk and Climate Change Management Plan - Prepares for natural disasters and climate-related risks, including adaptation and resilience strategies.

The main potential environmental risks typical for this type of infrastructure can include impact to biodiversity areas, electrocution and collision of flying fauna (birds, bats), damage to cultural and archaeological artefacts, loss of vegetation cover, as well as construction-related nuisances (noise, pollution, waste, traffic).

Social Assessment, where applicable

The Project is expected to improve security of supply and to accommodate increasing electricity demand and additional production from renewable energy, therefore it will contribute to the creation of a more sustainable and efficient power system in Paraguay. However, the Project also has the potential for some adverse social impacts as described below.

The main potential social risks typical for this type of infrastructure can include economic displacement primarily linked to loss of land, crops and economic trees on the substations and overhead line pylon sites, potential damage to cultural and archaeological artefacts (if present), potential influx of labour force during construction as well as risks to the health and safety of workers and the general population.

From the perspective of potential project impacts, no vulnerable indigenous communities were identified within the project's direct area of influence, this needs to be reconfirmed during appraisal of the different components once the location are selected.

The draft ESMP provided and published in IDB website contains the following draft chapters: a Labor Management and Occupational Health and Safety Plan on employment and Working Conditions that covers labour practices, worker rights, workplace safety, and health standards,



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a Community Health and Safety Plan – Community Health and Safety that addresses risks to surrounding communities, including traffic, disease, and infrastructure safety and a Economic Compensation and Livelihood Restoration Plan regarding Land Acquisition and Involuntary Resettlement that ensures fair compensation and support for displaced persons due to land acquisition.

Once the component location is determined, the finalisation of the social documentation will be required to ensure that the identified social impacts and risks for each sub-project are assessed, and to define and implement the necessary mitigation measures in compliance with national law, with ILO Core Labour Standards, and with the requirements of the 2022 ESSF of the EIB. The main mitigation, compensation and monitoring measures to address these risks and impacts will be considered in the respective sub-project where applicable.

According to the promoter, the process for acquiring the land intended for the construction of the Emboscada Electrical Substation will be carried out through a voluntary, negotiated, between the parties. The applicability of EIB Standard 6 will be assessed at allocation stage.

The transmission lines sub-projects will require rights-of-ways (35m for 500kV lines and 25 m for 220 kV lines defined by Law 6681/2000) as well as the acquisition, lease or easements of land for the installation of their components. Land acquisition in Paraguay involves either voluntary agreements or compulsory expropriation, with the latter governed primarily by the Expropriation Law (n° 7424/2025 that establishes the national cadastral system and register includes provisions for expropriation process). The land acquisition is expected to be carried out by the Contractor, that will implement the construction of the projects components. In any case the process must provide fair compensation to landowners, based on the market value of the land and any additional losses, such as relocation expenses.

The land required for all sub-projects' assets will be secured as much as possible through voluntary agreements. It is expected that the implementation of the operation will not lead to involuntary physical displacement. Sub-projects with any risks of forced evictions and/or impact on indigenous people will be excluded from the project scope to be financed by the EIB.

A Resettlement Policy Framework (RPF) for the Project will be finalised prepared with the support of a technical assistance. The TA shall provide guidance for managing the involuntary resettlement risks and impacts of the investment programme, including all sub-projects and activities, in compliance with national legal requirements and EIB ESSF (2022). It will include guidelines on resettlement and compensation, the institutional arrangements and resources to be put in place for activities that require the acquisition of land resulting in any physical displacement of people, and/or loss of sources of income, and/or loss of or restrictions on access to economic resources.

Paraguay, ratify several key ILO conventions.

EIB Paris Alignment for Counterparties (PATH) Framework

The promoter and borrower is screened in for high vulnerability. Contractual documentation will require the development and publication of a plan in line with the PATH framework requirements within 24 months after the contract signature.

Public Consultation and Stakeholder Engagement

The TA financed by IDB supported the Promoter with the preparation of a series of draft social preparatory documents such as a draft Stakeholder Engagement Framework (SEF) (Plan de Participación de Partes interesadas, PPPI") was prepared with the support of BID and a specialised consultant.



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The consultant included a stakeholder matrix identification listing the expected stakeholders to be consulted, however a the final one will be revised by the Contractor and tuned in accordance to the final location of the Projects,

The package includes a draft Complaint and Redress Mechanism (Mecanismo de Quejas y Reclamos) that indicates how the complains from the communities or affected person will be resolved a similar mechanism is also present for labourer.

The finalisation of such documentation will be provided by the Contractor once selected and the final location of the subproject are defined.

The Bank will verify that disclosure of information and meaningful public consultation have been carried out or are both planned for, in the context of the ESIA process, as well as prior to and during the construction phase, and – if applicable – throughout the lifetime of the project. At sub-project level, the Promoter will ensure that comprehensive grievance mechanisms, both for communities and for the workforce (including EPC contractor and sub-contractors), are in place during both implementation and the entire operation period of the sub-projects.

Other Environmental and Social Aspects

The Promoter has a formal Environmental Policy (resolution P/N° 19765, 2004) updated in 2020 (P/N° 43538) that sets out the principles of improving environmental performance, respecting national legal obligations, voluntary actions for sustainability.

Despite that no ISO certification is present, the Promoter operates a formal integrated system called SIGAS (Sistema Integral de Gestión Ambiental y Social). The goal of SIGAS is to embed environmental and social management throughout both operational and support processes.

Under SIGAS, the Promoter has established several programs that handle different environmental and social issues, such as: use efficient of resources, management of waste, chemical substances, watershed protection management, community relations and contractor management ensuring that contractors working on projects for ANDE meet environmental and social requirements.

Conclusions and Recommendations

The following conditions and undertakings will be included in the legal documentation of the operation. Other/additional contractual conditions and undertakings may be decided at sub-project level for individual allocations and will be published in the respective ESDS.

The following disbursement conditions will apply:

Prior to any disbursement relevant to individual allocations, the allocations will be appraised ex-ante by the Bank.

The following disbursement conditions will apply:

- Prior to the first disbursement, the Promoter shall finalise to the Bank's satisfaction the ESMF (Environmental and Social Management Framework), RPF (Resettlement Policy Framework) and SEF (Stakeholder Engagement Framework) for the pipeline of sub-projects included in the scope of the Project, the reports of the public consultations of the ESMF, SEF and RPF, the Environmental and Social Commitment Plan (ESCP) based on the results of the approved ESMF, RPF and SEF.
- The Promoter shall not commit any EIB funds against schemes that require an ESIA or biodiversity assessment according to applicable laws without, prior to commitment, receiving the development consent from the competent authority or the screening out



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decision, as well as submitting the ESIA report complying with EIB E&S Standards to the Bank for publication on the its website.

- The Promoter shall store and maintain updated the relevant documents (including if required, environmental studies related to the ESIA, Nature/Biodiversity Assessments, other additional assessments, Environmental and Social Management Plans, Resettlement Action Plans and Stakeholder Engagement Plans) to be provided to the Bank upon request.
- The Promoter will undertake to monitor and report to the Bank on the compliance with EIB E&S Standards, with a periodicity and scope yet to be defined for the individual allocations.
- Sub-projects with significant negative impacts on areas with high biodiversity value or, with significant, negative environmental and/or social impacts or, requiring physical resettlement or with impact on indigenous people, shall not be eligible.

Additional conditions for disbursement might be established for individual allocations as a result of the review of the aforementioned documents.

The following undertakings will apply:

- The Promoter shall store and keep updated the E&S documentation that may be relevant to this operation and shall, upon request, promptly deliver such documents to the Bank.
- The Promoter will undertake that no EIB funds will be allocated to assets directly connecting generation with lifecycle GHG emissions above 100 gCO₂e/kWh.
- Additional undertakings might be established for individual allocations as a result of the review of the aforementioned documents.

In view of the above findings and with appropriate conditions in place, the operation is acceptable for EIB financing in environmental and social terms.