

## Environmental and Social Data Sheet

### Overview

Project Name:	PAMIGA WATER & ENERGY THROUGH MICROFINANCE
Project Number:	2013-0648
Country:	REGIONAL (ACP)
Project Description:	The project aims at providing affordable and reliable access to electricity and water in Sub-Saharan Africa countries (mainly in Benin, Burkina Faso, Cameroon, Kenya, Madagascar, Senegal, Tanzania and Togo) by financing micro-projects in rural areas of these countries. EIB will lend to an investment vehicle whose objective is to provide stable local currency funding to selected African MFIs, for them to develop a loan portfolio dedicated to micro-projects in the solar energy, irrigation and drinking water sectors. Final beneficiaries include low-income households, micro-entrepreneurs and villages/communities. As an operation aiming to generate superior developmental impact, it qualifies for the Impact Financing Envelope of the Investment Facility.
EIA required:	No
Project included in Carbon Footprint Exercise:	No

### Summary of Environmental and Social Assessment, including key issues and overall conclusion and recommendation

This operation consists in the EIB providing a loan to a fund 100% owned by a NGO (the Promoter) and dedicated to provide loans to rural micro-finance institutions (MFIs) for the financing of renewable (solar) energy, small irrigation and water supply micro-sub-projects in Sub-Saharan Africa. The operation thereby intends to bring about significant environmental and social benefits by providing access to clean energy and water to bottom-of-pyramid (BoP) final beneficiaries and small local businesses. It is intended that only projects with minimal negative environmental and social impacts be supported.

The Fund has an environmental and social management system (SEMS) and policies in place in line with best practice in the microfinance sector, and acceptable to the Bank. The SEMS follows the “Universal Standards for Social Performance Management”, well suited for organisations with a Social Impact focus. In addition, the Fund actively encourages the MFIs of its network to endorse the Clients Protection Principles of the “Smart Campaign”<sup>1</sup>, including appropriate product design and delivery, prevention of over-indebtedness, transparency, responsible pricing, fair and respectful treatment of clients, privacy of clients data and mechanisms for complaint resolution. Both are in line with the operation being one of the first under the Bank’s Impact financing envelope, proposed as a Social Impact fund.

The Fund’s director for the energy & water programme is responsible for overall compliance with regards to E&S matters. He will be supported by a Team of 3 officers for the water and energy loans, in addition to external consultants currently being specifically hired by EIB to support the Team. The Team is well aware of typical environmental and social issues related to micro-solar and irrigation projects rural Africa, thanks to the experience gathered during a pilot implementation of the energy & water programme in Burkina Faso, Cameroon and Tanzania in the past 2-3 years, ahead of the Bank’s financing.

Additional Bank-financed environmental and social monitoring and evaluation experts will support the Team in following up and reporting on the deployment of the energy and water programme across the seven target countries in line with EIB environmental & social standards. In addition to its normal reporting obligations to all investors, the Fund will undertake to provide to the Bank all information necessary to verify E&S compliance.

<sup>1</sup> See <http://smartcampaign.org/about> .

Environmental and social risks for the energy subprojects are considered to be low and mainly associated to the safety of the electric equipment applied and to the management of solar batteries' end-of-life. The Fund's due diligence is expected to adequately cover these risks and ensure proper procedures for the disposal/recycling of used batteries are put in place. For the drinking water and irrigation subprojects the associated environmental and social risks could be higher, notably with regards to quality of drinking water and to overall resource management that might be affected by increased abstraction and related increase in the use of inputs (fertiliser and pesticides).

The Fund will undertake to operate and to ensure that its investments to MFIs under this operation fully respect the EIB's Environmental & Social standards, as well as the "Universal Standards for Social Performance Management". In particular the Fund will undertake to provide for the Bank's review, as soon as possible, and before allocating EIB funds to any energy or water credit line to a partner-MFI:

- Documentation on the environmental & social criteria and procedures to be applied by the Fund manager and / or the MFIs for screening technologies that will be eligible for financing by MFIs, and validation from the TA consultant that these are in line with the Bank's E&S standards.
- Lending for potable water investments in particular – notably for new wells, if any – will require an ex-ante agreement by the EIB on a target area by target area basis, following due diligence by the TA of local conditions to ensure safety of the source for human consumption.

Overall the capacity of the Promoter, supported by Bank-financed consultants, to manage E&S impacts and risks and to ensure compliance to the Bank's E&S requirements is considered satisfactory under the above mentioned conditions.

## Environmental and Social Assessment

### Environmental Assessment

**The renewable energy and water micro-projects to be financed by the Fund will typically not require an EIA** under local legislation, nor would they fall under the scope of Annex II of the EIA Directive, would they be located in the EU.

- The scope of the due diligence undertaken by the Fund, with the support of the Bank-financed TA, before extending financing for any renewable energy and water credit line under the project will carefully review, depending on the type of sub projects and their envisaged locations, what are the potential E&S impacts and what mitigation measures would be appropriate.
- The Fund would need to check whether some financed sub-projects would have been considered to fall under the scope of Annex II of the EIA Directive, would they be located in the EU, and would therefore be subject to an EIA on a case by case basis and decision from the Competent Authority. In such cases, and even where not required by national legislation, the Funds, with the support of the Bank-financed TA, would need to undertake an environmental & social assessment of each project, in line with EIB requirements.

Overall the operation is expected to have **limited residual environmental risk**.

- The location of the financed micro-scale renewable energy, water supply or sanitation projects shall not lead to any significant negative environmental impact. Appropriate assessment of risk with regards to water resources, land use, protected areas or cultural heritage in specific areas or locations will be done as part of E&S screening. Projects with likely high risk will not be eligible.
- During construction limited negative environmental impacts could arise, e.g. for some micro-grid projects, typical of small construction projects (e.g. dust, noise, vibration). They will be adequately managed according to the Fund's ESMS. No significant residual risk is expected for the implementation of the envisaged micro-scale projects.

- During operation again limited negative environmental impacts could arise as described below. All those will be adequately managed according to the Fund's ESMS, with no significant residual risk.
  - Some possible localised limited air pollution from diesel use in motor-pumps for irrigation could happen. Selection of good quality modern equipment to limit air pollution. This will be mitigated by the provision of guidelines for appropriate use of the equipment to limit air emissions, where relevant.
  - Operation of some water supply or irrigation projects could generate negative impact on local water resources availability, where they are scarce. This will be mitigated by the screening of likely project location (and associated resource baseline & impact assessment) with the support of the Bank financed TA. Further mitigation will come from the provision of good practice guidelines for rational water resource use (e.g. by crop type), where relevant.
  - Some health & safety issues related to the inappropriate handling of batteries (notably at the time of disposal) could arise. This will be mitigated with the support from the Bank-financed TA to ensure (inter alia): awareness building on battery management; identification of gaps in following best practices for battery recycling and identify mitigation measures; monitoring of the disposal / recycling of used batteries, as relevant.

Thanks to the implementation of renewable energy projects, typically displacing polluting and dangerous kerosene lamps or diesel generators in rural Africa, **the operation should also contribute to climate change mitigation**. Some micro-projects in the irrigation sector may rely on the use of diesel motor-pumps, in which case the use of good quality modern equipment will be ensured at the time of the technology screening, and other relevant measures to be defined by the Fund with the support of the Bank financed TA.

### **Social Assessment, where applicable**

Overall the operation is expected to have **large social benefits thanks to the provision of an access to basic services**, like electricity for lighting, clean drinking water or safe water supply for irrigation. By focusing on rural Africa, the operation will reach people at the bottom of the pyramid, who are both particularly vulnerable and likely to benefit the most. This is in line with the project being one of the first under the Bank's Impact financing envelope, proposed as a Social Impact fund.

**Projects likely to have significant adverse social impact are not foreseen and will not be eligible.**

- The micro-projects financed will not lead to involuntary resettlement.
- They will help foster additional economic activity, also among women, who in some instance take group loans instead of individual loans. This is common for MFIs supported by the operation, and they will report on the gender of loan applicants as part of their impact reporting requirements.