

Environmental and Social Data Sheet

Overview

Project Name: EcoEnterprise III (Latin America)
Project Number: 2016-0797
Country: Latin American Region
Project Description: The operation concerns an investment of up to USD 20m (EUR 18.1m) in EcoEnterprises III with a target fund size of up to USD 100m (EUR 91m). The Fund will invest in pro-biodiversity businesses in target sectors such as sustainable agriculture, agroforestry and wild harvested forest products, sustainable forestry, sustainable aquaculture and ecotourism in Central and South America.

EIA required: May be required for some investments

Project included in Carbon Footprint Exercise¹: No. Intermediated operations are not covered by the footprint exercise.

Environmental and Social Assessment

Though conservation efforts continue to gain traction to address challenges, many communities living in or near critical habitats and watersheds, faced with a daily struggle to survive, not only lack the financial means to dedicate to preserving local ecosystems but also have no economic incentive to adopt alternate methods of development that would remedy environmental degradation or encourage more sustainable use of natural resources.

The Eco-Enterprise Fund (the Fund) will therefore provide tailored growth capital to innovative business models, whose success relies on: (i) creating long-term livelihoods by increasing productivity and facilitating resilience in rural communities, while encouraging sustainable use and conservation of natural resources; (ii) preserving vulnerable ecosystems and biodiverse working landscapes, and (iii) mitigating climate risks with special attention to fair economic benefits to local value chains. Applying tools and principles of venture financing, the Fund will help SMEs scale financial and impact outcomes

The Fund has been investing in companies that serve as an economic engine to bring much-needed income to communities. Through its investment approach, the Fund supports companies which preserve the integrity of local natural resource bases and protect critical ecosystems and biologically- diverse landscapes, thereby also helping to mitigate effects of climate change. Given the Fund's focus on activities to achieve food security and improved nutrition and the sustainable management, production and consumption of natural resources thereby maintaining healthy ecosystems, the Fund's objectives not only align with the EU 2020 Biodiversity and Resource Efficiency Strategies but also with key objective of the European Consensus on Development and the 2030 Agenda for Sustainable Development.

¹ Only projects that meet the scope of the Pilot Exercise, as defined in the EIB draft Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: above 100,000 tons CO₂e/year absolute (gross) or 20,000 tons CO₂e/year relative (net) – both increases and savings.

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The Fund manager will be required to ensure compliance of the investments with the EIB Excluded list of Activities, the EIB E&S Standards and core E&S requirements, the E&S national laws and regulations as well as any international conventions to which the host countries are party to.

The mitigation of key risks and impacts derive from the Fund's capacity to identify and manage the potential environmental and social risks and impacts associated with the projects in the pipeline and operate an appropriate environmental and social management system (ESMS).

Given the size and nature of the investments to be made through the Fund, the Fund's environmental and social risks and impacts are expected to be minimal. However, by financing SMEs with the mandate of sustainable use and conservation of natural resources, there may be unintended adverse impacts on local communities and the environment. The ESMS will have a rigorous environmental and social screening process and an assessment, monitoring and evaluation process for every prospective investment to be undertaken including the application of a tested and established tangible positive impact metrics tool.

The Fund Manager had a well-functioning ESMS with a good track-record in the previous Fund EcoE II. This ESMS will be reviewed, updated and enhanced so as to incorporate lessons learned and developments in E&S standards and international good practice, including the establishment of a Fund-level grievance mechanism.

Meaningful involvement of local communities, including consultation and free prior informed consent of indigenous communities who are directly affected are central to EIB's E&S requirements. Particular emphasis will be applied to the assessment of the engagement and public consultation accompanying the granting of land-use rights to the sub-projects in which the Fund is investing in.

The Fund as an experienced investment team with excellent track record and the required expertise and capacity. The Impact Committee is composed of three members with deep experience in the Fund's geographies, sectors and impact objectives. Nevertheless the Impact Committee will need to enhance its knowledge of biodiversity and ecosystems in the Latin American Region.

EcoEnterprise Fund is a women-owned and –managed Fund, the first such fund in Latin America. Thus far, the Fund has invested in four women-owned businesses. At the SME level, the Fund has engaged its portfolio companies on the hiring of women at all levels of company operations and management. Given that in many cases, the suppliers and workers at the company-level are women, the Fund will ensure that the companies invest in their well-being as well as the communities in which they live.

The Fund engages with communities and encourages companies to build collaborative relationships with them. The companies, in most cases, will generate benefits to the communities it is working with, such as employment. Health and safety of workers is an important priority for all companies, and several portfolio companies will have specific programmes addressing worker nutrition. The Fund commits to protecting the local communities, their livelihoods and social fabric in areas where the Fund's portfolio companies may conduct business.

In addition a relationship with a non-profit environmental and/or community organisation may help the companies, create positive health, educational and economic development outcomes as well as providing environmental monitoring and evaluation services.

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The Fund has been a vanguard in biodiversity-focused businesses and is, at this point, the only dedicated direct investor in the field. The Fund has committed to support companies that integrate the Nagoya Protocol on Access and Benefit Sharing (ABS) into their operations working along the value chains of nature-based products thereby boosting the resilience of rural value chains.

Conclusions and Recommendations

The Fund Manager will review, update and enhance its existing ESMS to be in line with international good practice and include a Fund-level grievance mechanism to the satisfaction of the EIB.

The Fund Manager will commit to monitor and evaluate the economic, social and biodiversity impacts of the portfolio companies invested in, applying a tested and established impact metrics tool and report annually to the Bank on the E&S impacts.

The Fund Manager will enhance the biodiversity capacity of the Impact Committee and will undertake to carry out a third-party biodiversity and climate impact evaluation prior to exiting respective investments.

With the above-mentioned conditions in place the Fund is acceptable for financing in environmental and social terms.

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