

Environmental and Social Data Sheet

Overview

Project Name: PARAGUAY AFD-PY ENERGY EFFICIENCY
Project Number: 2018-0850
Country: Paraguay
Project Description: Global Loan for Energy Efficiency investments in industrial SMEs, through a public development bank in Paraguay.

EIA required: no

Project included in Carbon Footprint Exercise¹: no

(details for projects included are provided in section: "EIB Carbon Footprint Exercise")

Environmental and Social Assessment

Environmental Assessment

The EIB loan will be a sovereign loan to the national development Bank AFD-PY, channelled through Financial Intermediaries ("FI"), to support Energy Efficiency ("EE") investments in SMEs, with emphasis on the industrial sector in Paraguay.

An Operational Business Unit of AFD-PY will implement the overall programme, while the FIs will market, appraise and monitor their specific loans (sub-loans) under this operation. The financial institutions foreseen in the programme are accredited to AFD-PY and are predominantly private.

The main types of subprojects financed by the programme are linked to a) technological modernization; b) the replacement of equipment that is outdated, obsolete and inefficient, most of which is considerably more than 10 years old; and c) the substitution of energy sources, incorporating sustainable alternatives as a replacement for non-renewable biomass, as convenient. While the project will be open to all SMEs with any EE activities that reduce GHG emissions, the industrial sector will be prioritised, for instance in the brickmaking/ceramics industries and drying processes for grains.

The environmental and social impact of most of the EE investments targeted by the programme is likely to be limited, with no significant negative residual effects. They will generally generate positive environmental impacts, notably by reducing energy consumption, GHG emissions and thus help to mitigate climate change. However, some investments may carry social risks by association, for example on labour standards in SMEs. The Bank will

¹ Only projects that meet the scope of the Carbon Footprint Exercise, as defined in the EIB draft 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.

Luxembourg, 15.10.2019

require the intermediary institutions to take all the requisite measures to ensure that the due diligence procedures carried out by the final beneficiaries for the subprojects receiving Bank financing will comply with national legislation and the EIB's environmental and social standards.

The investments shall be carried out in accordance with the basic principles of EU Directives 2014/52/EU (Environmental Impact Assessment); 2012/27/EU (Energy Efficiency); 2015/2193/EU (Medium Combustion Plant); and Industrial Emissions Directive (IED) Directive 2010/75/EU, including compliance with Best-Available-Technique (BAT), where appropriate.

For subprojects which are subject to an ESIA (Environmental and Social Impact Assessment), the Promoter shall collect and publish the relevant study of the subproject's ESIA, retain on file a copy, provide a digital copy to the Bank, and confirm that the subproject incorporates all mitigating measures recommended as a result of the ESIA, in order to ensure compliance with the EIB's Public Disclosure Policy.

Subprojects are to be parallel-financed by IDB/GCF. An Environmental and Social Management Handbook prepared by the IDB is therefore available and will be utilised for the screening of subprojects against EIB's environmental and social Standards, given that IDB and EIB standards and eligibility criteria are compatible, to a large extent, for the scope of the programme.

Other Environmental and Social Aspects

The programme will be supported by a non-reimbursable Technical Assistance (TA) grant from GCF to AFD-PY, having the IDB as Implementing Agency. The TA will seek, among other targets, to reinforce the Environmental and Social due diligence capacity of the Promoter and the FIs to ensure that the international financiers' (EIB and IDB) requirements are met. To reduce environmental and social risks, the Bank will consider clear exclusion criteria.

The FIs foreseen in the programme are accredited to AFD-PY and are predominantly private. Leading FIs in Paraguay created in 2012 the national NGO Sustainable Finance Roundtable (Mesa de Finanzas Sostenibles - MFS) aiming to mitigate negative environmental and social impacts of the activities financed by member FIs, through the appropriate use of environmental and social risk analysis mechanisms. Members of the MFS are the primary and most interested FIs to be involved in this operation.

Conclusions and Recommendations

In addition to what is required by national legislation, the Financial Intermediaries will perform environmental and social due diligence, to ensure that potential risks and appropriate prevention, mitigation and compensation measures are identified through an environmental and social impact screening/assessment. The schemes with significant negative impacts on areas with high biodiversity value and nature conservation areas will not be eligible. Similarly, schemes that involve involuntary resettlement of persons or have a potentially adverse impact on indigenous communities and/or peoples will be excluded.

Under these terms, it is considered that the procedures carried out for individual schemes, verified and monitored by the Financial Intermediaries and the Promoter will appropriately address environmental and social issues and ensure that the schemes to be financed under this Loan meet the Bank's requirements.

In view of the above findings and conditions, the operation is deemed satisfactory from an environmental and social compliance perspective.