

Luxembourg, 24.10.23

## Environmental and Social Data Sheet

### Overview

Project Name:	CASAN BRAZIL WATER AND SANITATION FL
Project Number:	2021-0814
Country:	BRAZIL
Project Description:	Framework Loan to modernise the water supply and sewage services of CASAN, a public water utility provider to municipalities through concessions within the state of Santa Catarina (Brazil).
EIA required:	This is a multi-scheme Framework Loan operation. Some of the schemes might require an EIA
Project included in Carbon Footprint Exercise <sup>1</sup> :	no

### Environmental and Social Assessment

The Promoter of this operation is “Companhia Catariense de Águas e Saneamento” (CASAN), the main concessionary of the water and sanitation service in the State of Santa Catarina company in Brazil. CASAN is a public company, and its responsibilities are centred at the provision of public services for water supply and sanitation, including planning, preparation, implementation and operation of projects aiming at the expansion and efficiency improvement of such services in the State of Santa Catarina.

The proposed framework loan will finance a number of sanitation schemes in CASAN’s area of operation. Also schemes aiming at improving water supply efficiency will be eligible. These schemes are part of the Company’s investment Programme corresponding to the period 2022-2026 aimed at meeting the targets of the National Plan for Sanitation (*Plano Nacional de Saneamento Básico* -PLANSAB, 2012) and the recent Sanitation Legal Framework (*Marco legal de saneamento*-Law 14.026-July 2020).

The following types of works are eligible under the project:

- Upgrade, reconstruction or extension of wastewater collection and treatment infrastructure, such as sewer networks (including house connections), pumping stations, and wastewater treatment plants.
- Water supply schemes aimed at improving the efficiency of the system.

### Strategic Environmental Assessment

CASAN’s investment Programme corresponding to the period 2022-2026 is part of and aims at fulfilling the new Sanitation Legal Framework (*Marco legal de Saneamento*). This “*Marco Legal de Saneamento*”, did not follow a procedure of Strategic Environmental Assessment similar to

<sup>1</sup> 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 CO<sub>2</sub>e/year absolute (gross) or 20,000 tonnes CO<sub>2</sub>e/year relative (net) – both increases and savings.



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the SEA Directive (2001/42/EC). However, as part of the strategic planning for sanitation services, it was assessed as a law aimed at the protection of the environment and natural resources.

## **Environmental Assessment**

Depending on the size and location of the schemes, the Competent Authority for Environmental licensing will be the Environmental Authority of Santa Catarina (*Instituto do Meio Ambiente de Santa Catarina -IMA/SC*), or the Municipalities that also may have competences in relation to Environment.

The Promoter has past experience in management of projects compliant with environmental and social standards from International Financial Institutions (IFIs). The Promoter has implemented similar type of projects financed by Agence française de développement (AFD) and Japan International Cooperation Agency (JICA).

The environmental laws that apply to the project are the State laws n° 14.675/2009, (amended by the Law 18350/2022) and Resolution do Conselho Estadual do Meio Ambiente (CONSEMA) law n° 98/2017. Both concern the general environmental protection in the state, including the permitting requirements of activities with a possible impact on natural environment and include the risk categorization of projects and procedures for Environmental Impact Assessment.

In terms of Environmental Impact Assessment, there are three levels of complexity depending on the screening process: (i) Preliminary Environmental and Social Assessment, (ii) Simplified Environmental and Social Study and (iii) Environmental and Social Impact Assessment (full ESIA). All incorporate biodiversity assessments. A full ESIA would require a similar Appropriate Assessment (AA) as required under the EU Directives.

According to the types of schemes expected to be implemented under the proposed operation, it is unlikely that they will require full ESIA. In case a scheme requires a full ESIA, its implementation will not start before receiving first all the necessary approvals from the Competent Authority. In this case, the Bank will also require from the Promoter to provide a full copy of the ESIA including a Non-Technical Summary (NTS).

If the schemes were located inside EU, they would likely fall either under Annex II (i.e. be subject to screening by the Competent Authority using criteria similar to the ones included in Annex III) or outside the scope of the Directive 2011/92/EU as amended by the Directive 2014/52/EU.

The schemes are not likely to have negative impacts on nature conservation areas due to their nature/type. Nevertheless, compliance with the Biodiversity and Habitats National Legislation, their alignment with the Habitats and Birds EU Directives (92/43/EEC, 2009/147/EC), international conventions which Brazil has endorsed and the EIB environmental & Social Standards will be further checked during appraisal of individual schemes, before allocation and during their implementation.

An Environmental and Social Management Framework (ESMF) will be prepared by CASAN, to be applied during the implementation of the whole project. The ESMF will be aligned with the EIB's environmental and social standards, and it will be used for screening the schemes against EIB's environmental and social policy.

### Environmental Impacts

The project mainly 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 stormwater drainage.

Due to the nature of the investments, the schemes are expected to have minor environmental impacts during construction and operation phase.



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## **Climate Change**

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

The Project will also contribute to Climate Change Adaptation. At the moment of the appraisal there is no location specific Climate Risk Vulnerability Assessment (CRVA) for the service area, therefore the Promoter will be required to prepare one, satisfactory for the Bank. All the schemes financed by the Bank will incorporate in their designs the necessary measures to mitigate climate risks (if required) and therefore will be adapted to Climate Change.

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

## **Paris Alignment**

The Project has been assessed for Paris Alignment and is considered to be aligned both against low carbon and resilience goals against the policies set out in the Climate Bank Roadmap (CBR).

## **EIB Paris Alignment for Counterparties (PATH) Framework**

The counterparty CASAN is in scope and screened out of the PATH framework, because it is not considered high emitting nor high vulnerability.

## **Social Assessment**

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. CASAN will prepare a Resettlement Policy Framework (RPF) and a Stakeholder Engagement Framework (SEF) inclusive of a Grievance Mechanism (GM), 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 checked during allocation and implementation of the schemes.

The promoter shall ensure that agreements with the selected contractors, include requirements to guarantee that environmental and social aspects of works are carried out in line with the applicable national requirements, International Labour Organization (ILO) standards and EIB standards including prevention of Gender-Based Violence and Harassment (GBVH). Based on the information provided and due to the small scale of the schemes components and their location, it is not expected that indigenous people will be affected by the project. Nevertheless, schemes with negative impact on Indigenous people will not be eligible for EIB's financing.



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## 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 standards. A stakeholder consultation framework will be prepared to define the channels, activities and a grievance mechanism applicable to the schemes.

## Conclusions and Recommendations

The project contributes towards the fulfilment of SDGs, particularly SDG 6 “Clean water and sanitation”, SDG 11 “Sustainable Cities and Communities” and SDG 13 “Climate Action”.

Overall, the project has positive net social and environmental benefits. Based on the information available and characteristics of the Project, ESIA studies are unlikely to be required for the schemes. However, if required these will be prepared according to the National Legislation and to the satisfaction of the Bank.

The impacts expected from the schemes are mainly construction related and can be addressed through adoption of good engineering practices and appropriate mitigation measures during project implementation.

The following undertakings shall be included in the finance contract:

- Before the first allocation request, CASAN 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) and a Grievance Mechanism (GM). The ESMF will be used during the implementation of the whole project, and sufficient resources will be dedicated to its implementation.
- Before the first allocation request, CASAN will prepare a Climate Risk Vulnerability Assessment (CRVA) satisfactory to the Bank. All the schemes financed by the Bank will include in their designs the necessary measures to mitigate climate risks (if required).
- CASAN 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 consent from the competent authority or the screening out decision, and sending the ESIA to EIB for publication on the Bank’s website.
- CASAN shall store and maintain updated the relevant documents (including environmental studies related to the ESIA, Nature/Biodiversity Assessments, Environmental, Social Management Plans, Resettlement Action Plans and 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.
- CASAN will ensure that the contractors implement the schemes in compliance with EIB’s Environmental and Social Standards, and ILO core labour standards.

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