



Luxembourg, 16 February 2025

## Environmental and Social Data Sheet

### Overview

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| Project Name:  | <i>BDE WATER AND SANITATION II</i>  |
| Project Number:  | <i>2024-0347</i>  |
| Country:   | <i>ECUADOR</i>  |
| Project Description:   | The project consists of a framework loan to Ecuador's development bank to partly finance key projects in the field of water supply, wastewater, and waste management. |
| 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

#### Environmental Assessment

The Promoter and Financial Intermediary (FI) of this Framework Loan (FL) is Banco de Desarrollo del Ecuador B.P. ("BDE"). This is the second Framework Loan with the same financial intermediary.

The Project supports the modernisation, the rehabilitation and extension of water, wastewater and stormwater infrastructure in several Municipalities (Gobiernos Autónomos Descentralizados or GADs) within the country. Waste management schemes are also eligible. The Project is aligned with the National Water and Sanitation Strategy of Ecuador (ENAS), whose main objective is to achieve by 2030 "universal access to water and sanitation services, ensuring their quality and sustainability". The Project is also aligned with the National Development Plan (2024-2025).

Most of the project schemes to be financed under this Framework Loan will be designed to reduce the negative environmental impacts of discharging untreated wastewater and stormwater into water bodies, and pollution produced by unmanaged waste, all in line with the national legislation.

#### *Compliance with Environmental Legislation*

The main legal documents governing the Environmental and Social Impact Assessment (ESIA) procedure in Ecuador are: (i) the National Constitution which includes several articles for the protection, control and care of the environment and the "*rights of Mother Earth*"; (ii) Law of Environment (Código Orgánico del Ambiente- 12/04/2018); (iii) Unified Text of Secondary

<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 CO2e/year absolute (gross) or 20,000 tonnes CO2e/year relative (net) – both increases and savings.



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Environmental Legislation (TULSMA-03/11/2015) (iv) Environmental Code-RCODA and (v) Law of Water Resources

Management (Ley orgánica de recursos hídricos, usos y aprovechamiento del Agua-6/08/2014).

Ex-ante approval of the allocation of schemes will be required to ensure compliance with the Bank's Environmental and Social Standards including those on the protection of sites of nature conservation, where applicable. This will be assessed at allocation stage of each individual scheme.

An Environmental and Social Management Framework or "ESMF" (MGAS- Marco de Gestión Ambiental y Social) has been prepared by BDE for the first Framework Loan financed by the EIB. This ESMF was prepared during 2021 in line with EIB's environmental and social standards (E&S Standards) and it will be updated to be aligned with the latest EIB's Environmental and Social Standards, with the assistance of specialized consultants. The updated ESMF will also include the relevant provisions in relation to waste management sector.

The Environmental Protection Authority (Competent Authority) at national level (?) is the Ministry of Environment, Water and Ecological Transition (Ministerio del Ambiente, Agua y Transición Ecológica- MAATE).

The National Environmental Competent Authority delegates the environmental competencies to the Municipalities (GADs) once these Municipalities are registered in the National System for Screening the Projects "Sistema Unico de Información Ambiental-SUIA". Through this National System, the projects are categorized as I, II, III according to the environmental risk:

- Category I only requires an Environmental Certificate.
- Category II requires an Environmental Register.
- Category III requires to undertake a full Environmental and Social Impact Assessment.

It is envisaged that the schemes would fall under the categories I and II as in the previous Framework Loan. Only schemes including large wastewater treatment plants would be categorized as III which is aligned with the principles of the EU's EIA Directive.

For all schemes, the screening decision from the Competent Authority will be made available to the Bank. For schemes requiring an ESIA, relevant information and compliance with the applicable legislation and the principles of the EU's EIA Directive will be checked before approving the finance allocation. The Bank will also require the Promoter to provide the ESIA for publication on EIB's website. Schemes with significant impact to Biodiversity and Ecosystems will not be allocated under the Project.

### *Environmental Impacts*

The environmental benefits will be a key aspect of the Project. It is expected that some of the schemes will have a significant long-term positive environmental impact on surface waters, groundwater bodies and marine waters by reducing pollution from untreated or not properly treated wastewater and stormwater. Some of the schemes will contribute to preventing discharge of leachate from solid waste into the groundwater, surface water (rivers and lakes) and coastal water bodies. Some schemes will improve the protection of water resources by reducing the water losses in the water supply systems.

The majority of schemes are expected to have minor environmental impacts during construction and no negative residual impact in the operation phase. Negative environmental impacts are associated with the period of construction and are considered localised and temporary, e.g. (i) dust and air emissions, (ii) impacts on water or soil in case of mismanaged waste and (iii) noise and vibrations.



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Sufficient measures to mitigate these impacts will be included in the Environmental and Social Management Plans (ESMPs) to be included in the ESIA or in the Environmental Registers.

BDE through its Project Implementation Unit (Unidad Coordinadora de Proyecto), will ensure that construction activities are carried out by the Municipalities in compliance with these mitigation measures and in line with the EMSF.

#### *Climate Action*

The Project will have a significant contribution to Climate Action Mitigation which stems from the modal change from the discharge of untreated wastewater or onsite sanitation (which is the sanitation method in many areas of Ecuador), 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 is also expected to enhance the resilience of water supply systems to climate change and improve urban flood protection through stormwater management infrastructure, thereby contributing to climate action adaptation.

Framework loans as a whole are not covered by the EIB's Carbon Footprint Exercise.

#### *Promoter's Environmental and Social capacity*

The Promoter and Financial Intermediary (BDE) has relevant experience in managing environmental and social management plans since it is familiar with the implementation of Environmental & Social Standards of multilateral institutions such as the EIB, Interamerican Development Bank (IADB), World Bank (WB) and Confederación Andina de Fomento (CAF).

BDE is implementing its own operations in line with its Environmental and Social Standards (Sistema de Gestión Ambiental y Social -SGAS), which mainly integrates the standards from IADB and WB. This SGAS is being currently being updated with the assistance of a specialized consultant to align better its standards with the multilateral institutions.

Since 2022, BDE has been implementing the first EIB's financed operation using the ESMF prepared for it. The capacity is considered satisfactory.

The schemes to be financed under the suggested FL will be Paris 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**

BDE, the Borrower and Financial Intermediary for this FL, is a National Promotional Institution and the EIB will seek to share best practices on Paris alignment with them, including on disclosure.

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

As defined in SDG 6, safe drinking water and sanitation are basic human rights. Access to drinking water, in sufficient quantity and quality, is also a prerequisite to achieving many dimensions of sustainable development, including health, food security and poverty reduction. It is expected that the schemes will improve access to safe drinking water and sanitation, and will result in more resilient and reliable water services. This will yield lasting positive social benefits, including improved living conditions and public health of the inhabitants in the municipalities. The schemes will also contribute to employment creation, mainly during the construction phase.



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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. The ESMF prepared for the previous FL, includes a Resettlement Policy Framework (RPF) and a Stakeholder Engagement Framework (SEF) inclusive of a Grievance Mechanism (GM) to be coordinated with the implementing Municipalities. BDE will update the ESMF, with the assistance of consultants, according to the latest EIB Environmental and Social Standards to implement the Project.

BDE has a gender policy in place since August 2023 and an action plan which started to be implemented in May 2024 that aims to reduce gender inequality by screening and assessing gender impacts in all its operations. To ensure application of BDE's gender strategy in the schemes under the suggested FL, the EIB will include as an undertaking for BDE to ensure a gender analysis is carried out for each scheme that informs the design and/or implementation of the project on how to reduce any gender specific and disproportionate adverse gender impact and promote improved gender equality. It is expected that the schemes will have a gender positive impact due to these measures and more broadly the improvement on the water supply and sanitation conditions. In addition, since women are generally more affected by the impacts of climate change, schemes increasing the resilience will also have a positive impact on gender equality.

#### *.Labour and Working conditions*

Ecuador has ratified all eight fundamental International Labour Organization (ILO) conventions. BDE will prepare the Occupational Health and Safety Management (OHSM) procedures, which will be followed by the contractors during the construction phase of the individual schemes. This OHSM will address the continuous identification of dangerous conditions, the evaluation of associated risks and the implementation of control measures. The bidding documents for tendering the works and the general terms of contract will include provisions in line with EIB's standard 8 (labour rights).

#### *Indigenous People*

The ESMF prepared for the previous FL, includes an Indigenous People Planning Framework (IPPF). This framework will be updated according to the latest EIB Environmental and Social Standards and used in case the schemes proposed will affect Indigenous People in a specific area. Nevertheless, schemes negatively affecting Indigenous People or requiring evictions will not be financed through this FL.

### **Public Consultation and Stakeholder Engagement**

The schemes included in this Framework Loan will be consulted with stakeholders according to the applicable national legislation and in line with the relevant EIB standard, as defined in the updated ESMF.

## **Conclusions and Recommendations**

The schemes in the Project are expected to have several positive environmental and social impacts. The Project will contribute to enhance the quality of life in Ecuador by supporting them with investments in the water, sanitation and waste management sectors.

#### *Project undertakings*



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- Before the first allocation request, BDE will update the 2022 Environmental and Social Management Framework (ESMF) used in the previous FL, in line with the latest EIB's E&S standards and including waste management as an eligible sector. The updated ESMF will be to the Bank's satisfaction. The updated ESMF will be used during the implementation of the whole Project.
- BDE shall not commit any EIB funds before sending to the Bank, the relevant environmental screening decision from the Competent Authority .
- BDE shall not commit any EIB funds against schemes that require an ESIA or nature/biodiversity assessment according to national law and EIB's E&S standards without, prior to commitment, receiving the consent from the competent authority, and sending the ESIA to EIB for publication on the Bank's website.
- BDE shall store and maintain updated the relevant documents (including environmental studies related to the ESIA's, Nature/Biodiversity Assessments, Environmental, Social Management Plans, Resettlement Action Plans, 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.
- BDE will ensure that the Final Beneficiaries shall implement and operate the subprojects in compliance with EIB's Environmental and Social Standards, and ILO core labour standards.
- BDE shall ensure that a gender analysis is done for the majority of the schemes, that informs the design and/or implementation of the project on how to reduce any specific and disproportionate adverse gender impact and promote improved gender equality.
- All schemes to be funded under the FL shall be Paris aligned, both against low carbon and resilience goals against the policies set out in the Climate Bank Roadmap (CBR). This shall ensure that investments:
  - are consistent with national and global low-greenhouse gas (GHG) development pathways and do not undermine the transition to a decarbonised economy, and
  - can manage likely material physical climate change risks, in line with national adaptation and climate resilience strategies and plans, and, where possible, contribute to a climate-resilient system.
- Schemes negatively affecting Indigenous People or requiring evictions will not be financed through this FL.
- Schemes with significant impact to Biodiversity and Ecosystems will not be financed through this FL.

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