

December 2016

## INTRODUCTION AND SCOPE

This brief describes Sida's approach to safeguarding sustainability in power sector development cooperation in sub-Saharan Africa (SSA).

It relates to power generation, transmission, distribution and energy efficiency contributions in all Sweden's country and regional development cooperation strategies SSA implemented by Sida.

Support to renewable energy is an important contribution to the achievement of the Sustainable Development Goals (SDGs) and the Paris Agreement on Climate Change. There is a broad agreement that the phasing out of fossil fuel subsidies is crucial for combatting climate change. Official Development Assistance (ODA) is a form of subsidy and should therefore only be used to support renewable energy. Sida's contributions towards power generation in sub Saharan Africa focus on renewable energy and should exclude all generation based on non-renewable energy sources.

The approach covers (i) grants (used to support contributions such as capacity building, capital subsidies managed by national agencies, challenge funds or development loans), (ii) guarantees (i.e. portfolio guarantees, guarantees for project finance etc.), with partners such as public entities, multilateral development banks, commercial banks and institutional investors, and (iii) dialogue as an instrument to influence and promote change.

## BACKGROUND

Access to electricity is a major enabler for poor women and men's ability to escape poverty. Sweden is committed to contribute to the Sustainable Development Goals (SDG) including targets to increase access, substantially increase the share of renewable energy sources and to increase energy efficiency.

Within the overall objective of Swedish development cooperation; to contribute to create better living conditions for people living in poverty and oppression, critical aspects of Sida's power sector development cooperation are:

- To support change that is environmentally, socially and financially sustainable;
- To verify that environmental, social and climate safeguards are properly considered in Sida supported interventions throughout Sida's contribution cycle; and
- To promote transparency, predictability and accountability in decision making processes.

## THE ENABLING ENVIRONMENT

Of crucial importance to the development of a sustainable energy sector is the creation of an enabling environment consisting of laws, rules and regulations and of organisations that define, implement and enforce this regulatory framework. Sida therefore supports reforms in the energy sector focusing on institutional development, including policies, legal and regulatory frameworks and capacity development.<sup>i</sup> Sida supports research and civil society in order to increase understanding and management of energy-environmental issues in a holistic context, raise awareness and strengthen people's rights and participation. In this way Sida supports better legal and administrative country systems, an enabling environment for sustainable energy investments with benefits for and beyond the individual project. As appropriate, Sweden will use dialogue<sup>ii</sup> to influence and strengthen safeguard systems of partner countries' as well as international safeguard systems' such as those of the World Bank Group to ensure sustainable outcomes.

## MANAGING ENVIRONMENT AND SOCIAL RISKS

Throughout Sida's contribution cycle relevant thematic/policy issues including environment, climate change, gender equality, human rights and conflict sensitivity should be analysed, assessed and managed. Opportunities for realising broader development impact should also be appraised, such as skills development supporting increased productive employment, local economic development, improved health, resilience of ecosystem services etc.

The appraisal should both determine the type and scale of environmental and social (e.g. gender and human rights) impacts, risks and opportunities and define if further analysis is needed.

It is the responsibility of Sida's cooperation partner to ensure that an appropriate assessment is made, to mitigate and manage impacts and risks, investigate opportunities, and monitor implementation throughout the project cycle.

Sida's responsibility is to appraise the quality of the assessments and ensure that environmental, climate and social concerns and opportunities are addressed in programme/project documents and that necessary budget provisions are made.

Sida will only support programmes/projects that have a systematic approach to safeguarding sustainability. In order to safeguard sustainability, projects shall comply with national legislation and the performance standards of the International Finance Corporation (IFC) or standards with higher or equivalent level of safeguards, such as those of the African Development Bank or the European Investment Bank.

Human rights based principles e.g. non-discrimination, participation, transparency and accountability are key elements in Sida's work. Sida will actively promote their use to the extent possible in project preparation and implementation. This includes the participation of affected groups in preparation and dissemination of *Environment and Social Impact Assessments* (ESIA) and transparent and accessible disclosure of *Environment and Social Management Plans* (ESMP) and monitoring reports.

Projects with potential social and environmental impacts require that an ESIA is carried out. On an ad hoc basis Sida will undertake its own assessment of the ESIA and the cooperation partner's compliance with the ESMP. For all projects implying changes in the use of land or natural resources, relevant articles from the FAO Voluntary Guidelines on Tenure<sup>iii</sup> should be applied. The following sections provide some issue specific guidelines.

## HYDROPOWER

There is vast untapped potential of hydropower in many countries in sub-Saharan Africa and is an important energy source with considerable potential in many countries. At the same time, the environmental impacts of hydropower on livelihoods, water, soil, landscape, flora, fauna, cultural heritage and other aspects can be considerable, particularly where dams and reservoirs are part of the projects. Sida takes into account the recommendations outlined in the World Commission of Dams (WCD) and acknowledges the importance of regional and basin level considerations in planning for new hydropower. Sida also acknowledges the importance of enhancing the resilience to climate change of affected communities. For large dams Sida will require the use of an independent review panel in line with WCD. Sida welcomes the use of the Hydropower Sustainability Assessment Protocol (HSAP) as a management tool for individual projects while recognizing that the protocol in itself does not guarantee that Sida's sustainability requirements are met. Sida will put emphasis on ensuring monitoring of operation and, maintenance, financial sustainability and implementation of environmental and social management plans.

## OTHER TECHNOLOGIES

Sida acknowledges the great potential of renewable energy technologies. For all technologies Sida requires the project owner to relate to and aim for applying principles of best practice in design, construction and operations. This must include plans for environmentally responsible management of waste/e-waste as well as other aspects identified to avoid or minimise negative impacts on the environment and affected people.

Sida's requirements and principles are summarized in the table on the next page.

<p><b>General requirements</b></p> <p><i>Mandatory aspects to be covered in project preparation and contracts and to be monitored during implementation</i></p>	<p><b>Sida's contributions towards power generation in sub-Saharan Africa<sup>1</sup> target renewable energy and exclude generation bases on non-renewable energy sources<sup>2</sup>.</b></p> <p><b>Sida regards compliance with national legislation and the IFC Performance standards<sup>iv</sup> as a minimum requirement.</b></p> <p><b>In addition Sida will require:</b></p> <ul style="list-style-type: none"> <li>- the use of an Independent Review Panel<sup>v</sup> for hydropower projects that include large dams;</li> <li>- project owners to define their proposal in relation to best practice<sup>vi</sup> for the respective technology and approach chosen.</li> </ul> <p><b>Key areas for Sida to appraise and follow up during implementation</b></p> <ul style="list-style-type: none"> <li>- ensure that impacts, opportunities and risks caused by the programme and impacts on the environment and potential consequences of climate changes on the programme are appraised.</li> <li>- appraise the entire programme or project, not only the parts of projects financed by Sida. The appraisal should include the capacity of the main financial institution to monitor and support the project owner. It may be sufficient for Sida to assess other financial partners' appraisal;</li> <li>- ensure acceptable quality of feasibility studies, Environment and Social Impact Assessments and other relevant background information prior to approval. This includes verifying that:             <ul style="list-style-type: none"> <li>i) gender aspects have been integrated;</li> <li>ii) that the resilience of both ecosystems and affected households/communities have been analysed and addressed;</li> <li>iii) that issues related to physical and financial sustainability (e.g. operation and maintenance costs) are properly described and budgeted for;</li> <li>iv) that institutional aspects are adequately incorporated (e.g. capacity to implement and monitor); and</li> <li>v) monitoring and follow-up of Environmental and Social Management Plans and mitigation activities are included in agreements and <u>budgeted for</u>. This should include plans for environmentally responsible management of waste including hazardous waste.</li> </ul> </li> <li>- ensure that planned projects with potentially significant adverse environmental and social impacts, conduct an independent Environment and Social Impact Assessment, involving the communities and other concerned groups.</li> </ul>
<p><b>Dialogue<sup>vii</sup> issues</b></p> <p><i>Issues to raise with project owner, financial institutions and other concerned parties during project preparation and implementation</i></p>	<p><b>Sida will aim for:</b></p> <ul style="list-style-type: none"> <li>- use and strengthening of country systems, cross-sectoral collaboration and planning, including better integration of environment ministries and Disaster Risk Reduction (DRR) agencies in the core planning of energy projects/programmes;</li> <li>- application of best practices for the respective technology and approach chosen and where broader development impacts such as employment opportunities, local economic development, improved health and opportunities for vocational training are promoted;</li> <li>- gender aware dialogue and application of human rights based approaches and principles (non-discrimination, participation, transparency and accountability) in programmes/programmes;</li> <li>- use of community participation throughout the process, including in monitoring of Environmental and Social Management Plans. Independent reviews or third party audited information should be encouraged for projects with significant environmental and social impacts; and</li> <li>- use of selected voluntary systems e.g. <i>FAO Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security</i> and the use of <i>UN Guiding principles on business and human rights</i>.</li> </ul>

<sup>1</sup> In sub-Saharan Africa Sida support, e.g. through other strategies like the Strategy for Humanitarian assistance, through common funds and global programmes, may include hybrid-solutions partly based on fossil fuel. However, Sida believes that to promote sustainability fossil fuel energy generation should be phased out in these programmes.

<sup>2</sup> Sida may support institutional development and capacity building of public utilities etc., that have both renewables and non-renewables in their present energy mix, with a focus on assistance in the transition towards a fossil free energy sector.

---

<sup>i</sup> Sida also supports various complementary interventions including good governance, disaster risk reduction, transboundary and integrated water management in a number of basins.

<sup>ii</sup> "Dialogue" is an instrument to influence and promote change of partners' perception and their way of implementing projects in a more efficient and sustainable way. In this context it may mean to comply with IFC's Performance standard and improve national legislation in relation to environmental and social safeguards.

<sup>iii</sup> *FAO Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests (VGGT)* can be used by States, civil society and the private sector although the main focus is on the obligations of the state. An easy-to-use guide for companies on how to align their operations with the VGGT is the "*Respecting Land and Forest Rights: Risks, Opportunities, and a Guide for Companies*". 2015. Washington, D.C.: The Interlaken Group and RRI. The guide includes references to other resources for further guidance.

<sup>iv</sup> In order to safeguard sustainability, projects will have to comply with national legislation and the IFC performance standards. Sida will also accept compliance with other sustainability safeguard systems with higher or equivalent level of safeguards such as those of the African Development Bank, the World Bank, the European Investment Bank or the European Bank for Reconstruction and Development. These systems make use of the World Bank Group Environmental, Health and Safety Guidelines as a technical source of information for project appraisal. The EHS Guidelines are technical reference documents with general and industry-specific examples of good international industry practice and are occasionally updated.

<sup>v</sup> The Independent Review Panel is independent of all parties and its principal task is reviewing assessment of impacts and the planning, design and implementation of social and environmental mitigation plans. For further reference see World Commission on Dams.

<sup>vi</sup> Best practice is context specific and relates to processes rather than technologies. It signals adaptive learning rather than fixed guidelines. Clients/executing agents should describe the project in relation to best practice.

<sup>vii</sup> Dialogue is an instrument to influence and promote changes of partners' perception and their way of implementing projects and processes in a more efficient and sustainable way.