

Environmental and Social Data Sheet

Overview

Project Name: *Development Bank Ghana*
Project Number: *2019-0410*
Country: *Ghana*
Project Description: *A loan to the Government of Ghana, through the Ministry of Finance, for on-lending to Ghanaian SMEs and Midcaps active in the agribusiness, manufacturing, ICT and tourism sectors by the newly created Development Bank Ghana.*

EIA required:

Project included in Carbon Footprint Exercise¹: no

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

Environmental and Social Assessment

The operation concerns a loan to the Government of Ghana, through the Ministry of Finance (Mof), for on-lending to SMEs and small Mid-caps by the newly created Development Bank Ghana (DBG). The current economic crisis resulting from the Covid-19 pandemic has disproportionately hit smaller companies, which is due to lower resilience inherent to small companies.

DBG will channel the funds to final beneficiaries through Participating Financial Institutions (PFIs). Eligible PFIs will be qualified based on clear eligibility criteria related to regulatory compliance, governance, financial soundness, operational capacity, and outreach. The PFIs will in turn provide sub-loans to registered and credit-worthy SMEs and small Mid-Caps operating nationwide across sectors such as the agribusiness sector, with a focus on off-farm value chain activities, particularly agro-processing and the agricultural-related manufacturing, the manufacturing sector, ICT services and tourism sectors.

Environmental and Social Assessment

Given the eligible sectors, the sub-projects supported receiving funding support from the DBG and the PFIs may have direct or indirect environmental and social impacts and risks. Since the key environmental and social risks may arise during the sub-project lending through the PFIs which are going to receive credit from the DBG, during implementation, the MoF will have to ensure that DBG has in place an effective and functional environmental and social management system (ESMS) to identify, manage and monitor the E&S risks in their lending.

¹ 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.

Luxembourg, 13.10.2020

Given the E&S risks associated with the manufacturing and agribusiness SME sectors (e.g. forest and land degradation, water and soil pollution, health and safety risks, labour, gender inequalities, gender-based violence and working conditions), a list of excluded activities in line with EIB's list of excluded activities (as defined for fund operations) as well as other eligibility criteria will apply to the sub-projects carried out by the final beneficiaries.

Environmental and Social Capacity of the DBG

The DBG is a newly created entity with no environment and social capacity to start with. It will be the responsibility of the MoF to ensure that when establishing the procedures and policies of the DBG, DBG will establish a comprehensive ESMS and will have the adequate environment and social (E&S) capacity to fulfil its E&S risk management responsibilities.

At establishment the DBG will be supported by a Project Implementation Unit (PIU) located in the MoF, which will provide the required targeted environmental and social management training, monitoring and technical assistance to establish a comprehensive ESMS including internal procedures and policies which will be compliant with the EIB E&S Standards.

The DBG will therefore put in place and maintain an ESMS to identify, manage and monitor environmental & social risks of sub-projects. The ESMS will include: i) environmental & social policy; ii) defined procedures for identification, assessment and management of risks; iii) organisational capacity; iv) monitoring and review of the E&S risks of the sub-projects and portfolio; and v) external communications mechanism. The DBG will require that the sub-projects of the PFI's comply with the EIB E&S Standards and eligibility criteria.

DBG will therefore have to ensure that the respective PFIs have the capacity and the adequate E&S management systems (policies and procedures) consistent with the EIB E&S Standards to identify, manage, monitor and report on E&S risks and impacts in their portfolio. Given that the PFIs will have to comply with the EIB E&S Standards and the eligibility criteria, the PFIs will also need to have an ESMS to monitor social and environmental risks in their lending using DBG's credit lines. PFIs would undergo due diligence from DBG, including on their capacity to meet E&S requirements and guaranteed sub-loans would have to be screened for E&S risks.

DBG will not on-lend to a PFI without an adequate ESMS in place. DBG and the MoF will provide support to build up capacity for sustainable lending opportunities and practices of the PFIs where required.

Stakeholder Engagement

MoF has drafted ToRs for the building of the ESMS systems for the DBG and completed a Stakeholder Engagement Plan (SEP). The stakeholder engagement that was carried out will guide MoF in the design of the project and ensure that the key stakeholders have been included in project planning. It is important to note that the stakeholder engagement process included the identification of vulnerable groups and gender considerations, by ensuring that women, for instance, benefit from the project by prioritising women-led SMEs.

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Other Environmental and Social Aspects

At institutional level, DBG will have in place relevant human resources (HR) policies, which will include policies such as prevention of workplace sexual harassment, code of conduct for employees, non-discrimination as well as grievance management system for employees.

Conclusions and Recommendations

With the following conditions in place and the appropriate technical assistance the project is acceptable for financing in environmental and social terms

- The DBG is to establish and implement a functional ESMS compliant to the EIB E&S Standards;
- The DBG has in place the appropriate environmental and social capacity to manage and implement the ESMS;
- The DBG will not on-lend to the PFIs until such PFIs have a robust ESMS in place to ensure that loans provided to the final beneficiaries will not have adverse environmental and social impact;
- The DBG will have in place an external communications mechanism and require the PFIs to have such communication system commensurate to their funding activities;
- The DBG will be required to submit to the EIB annual reports on the implementation of its ESMS and the E&S performance of its portfolio.