

Public

Environmental and Social Data Sheet

Overview

Project Name:	KULIMA - ACCESS TO FINANCE KULIMA - RISK SHARING FACILITY
Project Number:	2017-0370, 2018-0424
Country:	Malawi
Project Description:	Intermediated facility for on-lending to eligible private agri-food sector projects engaging smallholders in Malawi. European Commission support to the agri-food sector in Malawi to enable provision by the EIB of capped guarantees to financial intermediaries on-lending EIB finance, as well as TA to intermediaries and final beneficiaries.
EIA required:	EIA may be required for selected investments
Project included in Carbon Footprint Exercise ¹ :	No

Environmental and Social Assessment

Under Kulima Access to Finance the EIB will establish credit lines to a number of Financial Intermediaries (FIs) active in lending to MSMEs and Mid-Caps in the agri-food sector in Malawi. The aim is to finance investments by these enterprises throughout agri-food value chains, from input supply, through post-harvest logistics, processing and distribution, with a focus on off-takers and other enterprises supporting market access for smallholder farmers.

Under the Kulima Risk Sharing Facility, the EU will provide grants in the form of first loss capped guarantees to FIs participating under the Kulima Access to Finance facility, in order to reduce their perceived risks in the agri-food sector. The EU grant facility will also fund Technical Assistance (TA) to build FI capacity to lend in the agri-food sector and to support final beneficiaries in planning investments that integrate smallholders into commercial value chains.

Environmental and Social Assessment

Some sub-projects financed by the Bank in the agri-food sector may require Environmental & Social Impact Assessment (ESIA). For any investment subject to ESIA, according to national legislation or based on the application of the principles and standards of the EIB

¹ Only projects that meet the scope of the Pilot Exercise, as defined in the EIB draft Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: above 20,000 tonnes CO₂e/year absolute (gross) or 20,000 tonnes CO₂e/year relative (net) – both increases and savings.

Luxembourg, 16.05.2019

Environmental and Social Handbook, the FI will be required to ensure that the ESIA, including due public consultation, is conducted at a level that is in line with EU/international standards, and that the EIB is provided with a copy of the ESIA for publication on its website.

The selection process of FIs is still in progress and as part of the selection, EIB services will ensure that the selected FIs have adequate Environmental and Social Management Systems (ESMS) in place to address environmental and social risks that are typical for MSME and Mid-Cap investments in the sector. TA provided through the Kulima Risk Sharing Facility will support FIs in improvement of existing ESMS to EIB requirements.

The ESMS system will ensure that selected FIs follow in their respective business processes and operations a systematic approach to the identification and management of relevant environmental and social issues, and the risks inherent to the sub-projects to be financed. Sub-projects with significant negative environmental impacts, among others on areas with high biodiversity value, nature conservation areas, including bird migration routes, shall not be eligible.

As this Facility aims to support investments promoting the integration of farmers, and in particular smallholder farmers, into agricultural value chains, FIs shall monitor and report on the adoption by loan recipients of inclusive business approaches. TA will also be available to support the informed and equitable integration of smallholders by final beneficiaries. Application of international standards will be required for investments in value chains identified as carrying specific environmental and social risks.

Conclusions and Recommendations

The FIs will submit, to the satisfaction of the Bank, an ESMS:

- integrating E&S considerations in compliance with: (i) national legislation and EIB E&S Standards; (ii) ILO Core Labour Standards; (iii) the FAO Voluntary Guidelines on the Responsible Governance of Tenure; and (iv) EIB lists of excluded and restricted activities as well as sector requirements; into their respective credit and investment decision-making processes,
- including a Grievance Redress Mechanism, and
- including the organisational structure (roles and responsibilities) for the implementation of the ESMS.

Through the Kulima Risk Sharing Facility, the Bank will provide TA support to FIs to develop their ESMS capabilities, including the required establishment of acceptable grievance redress mechanisms (and attendant reporting), to the extent that they are not already in place. The FIs will ensure that adequate financial and human resources required for the implementation of the ESMS are made available.

With the above-mentioned conditions to be included in financial contract, the operation is acceptable to the EIB in environmental and social terms.