

Luxembourg, 15 May 2025

Environmental and Social Data Sheet

Overview

Project Name:	GREEN AFRICAN AGRI VALUE CHAIN - ZEMEN BANK
Project Number:	2023-0690
Country:	Ethiopia
Project Description:	Intermediated loan to Zemen Bank to on-lend to exporting SMEs and Midcaps in Ethiopia operating mostly in the agriculture sector with complementary targets on climate action and environmental sustainability as well as on projects meeting gender equality objectives.
EIA required:	EIA may be required for selected investments.
Project included in Carbon Footprint Exercise ¹ :	no

Environmental and Social Assessment

Through this operation, the EIB will establish a credit line to Zemen Bank (hereafter the Financial Intermediary, FI) for lending to SMEs, Mid-Caps and cooperatives (hereafter the Final Beneficiaries, FBs) across selected agricultural value chains in Ethiopia. At least 70% of the portfolio will be dedicated to eligible sub projects with a focus on sustainable agriculture value chains and related activities, while the reminder 30% will cover activities across eligible sectors of the Ethiopian economy. Further, at least 30% of the overall portfolio will be earmarked for sub-project contributing to climate action and environmental sustainability and 30% towards gender equality and women's economic empowerment aligned with the 2X challenge criteria.

Environmental Assessment

Some sub-projects financed by the FI in the agribusiness sector may require an Environmental and Social Impact Assessment (ESIA). For any investment subject to an ESIA, either in accordance with national legislation or based on the application of the EIB's Environmental and Social (E&S) Standards, the FI will need to ensure that the assessment is carried out in line with EIB requirements, including proper public consultation, and that the EIB receives a copy of the ESIA for publication on its website.

The FI has developed an environmental and social policy that outlines a framework for integrating E&S considerations across the bank's activities. However, such policy has not yet been approved and requires upgrading in order to align with international best practices and EIB E&S standards. The EIB is in the process of mobilizing Technical Assistance to ensure that the FI's Environmental and Social Management System is

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.



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in line with EIB requirements and is put in place for the allocation of the EIB credit line. The ESMS will allow the FI to identify, assess, manage and monitor the E&S risks and impacts of the sub-projects to ensure, inter alia, that the following subprojects are excluded from EIB financing: i) sub-projects likely to have significant negative effects on the environment and/or society and, ii) sub-projects within or impacting areas of high biodiversity and nature conservation value, including bird migration routes.

The FI has established a dedicated E&S unit with responsibility for overseeing and guiding the integration of ESG policies across the institution, supported cross-functional task force that includes representatives from credit, risk management, and small and medium enterprise (SME) departments. The unit faces capacity constraints and would need to be reinforced to be able to fulfil its mandate. The FI will undertake to strengthen the E&S Unit with adequate budgetary and human resources for a successful integration of E&S considerations including matters of gender-based violence and harassment (GBVH) into the credit cycle and make it applicable for the allocation of the EIB credit line.

The climate action focus of the operation implies that the FI is required to set a target of 30% of total allocations to sub-projects complying with pre-defined criteria for adaptation and mitigation at facility level. Based on a preliminary assessment of its current portfolio, the FI should have enough capacity to generate eligible pipeline qualifying under the “green” criteria, with a particular focus on supporting organic value chains.

Social Assessment, where applicable

As this facility aims to support investments promoting green investments in the bioeconomy as well as promoting gender equality, the FI will monitor and report on the adoption by FBs of practices, technologies and approaches related to these objectives.

30% of the overall funding will be directed towards women entrepreneurs and led businesses or SMEs providing quality employment opportunities or providing services and products for women in line with the 2X challenge criteria. The FI will develop a Gender Action Plan to achieve this objective. The FI is committed to fostering an inclusive workplace and has a gender balanced board and workforce.

The FI has established a Grievance Redress Mechanism (GRM) managed by a dedicated department within its customer experience unit. This mechanism allows stakeholders to submit complaints through multiple channels, including a call centre, the bank’s website, and in-person at branch locations. While the GRM is accessible, it has not yet undergone independent auditing. Furthermore, the GRM does not include specific protections for whistleblowers, leaving gaps in protections for individuals who raise concerns about environmental or social misconduct. The TA will support improvements in the GRM to align with international best practices to close any gap in protections for individual who raise concern about environmental or social issues including GBVH.

Other Environmental and Social Aspects

As part of its ESMS, the FI will be requested to ensure that the FBs: (i) comply with labour standards, as defined in the ILO Declaration on Fundamental Principles and



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Rights at Work, particularly with respect to child labour, equal treatment and equal opportunities; (ii) provide a grievance mechanism proportionate to the nature and scale and the potential labour and GBVH risks and impacts of the project, for workers and/or project affected persons to raise reasonable concerns about the workplace and/or the project; (iii) occupational health and safety measures are respected at the FB level.

Conclusions and Recommendations

Disbursement conditions:

- None

Undertakings:

- The FI shall put in place an ESMS acceptable to the Bank within 12 months of the signature of the Final Contract. Until then, the FI shall submit to the EIB a project fiche and any other required additional information for ex-ante review and approval for each project to be financed with the credit line.
- The FI shall maintain the developed ESMS during the life of the operation and ensure that adequate financial and human resources required for the implementation of the ESMS are available.
- Sub-projects with impacts on high biodiversity value, nature conservation areas, including bird migration routes, and those which may have involuntary resettlement and/or impact on indigenous populations, are excluded from EIB funding.
- The FI shall develop a Gender Action Plan acceptable to the Bank.

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