

Environmental and Social Data Sheet

Overview

Project Name:	NIGERIA GREEN & DIGITAL MSME & MIDCAPS FINANCE	
Project Number:	2023-0070	
Country:	Nigeria	
Project Description:	Loan to the Federal Government of Nigeria to support investments by MSMEs and Mid-Caps in innovation and digitalization, agriculture value chain and renewable energy via the Development Bank of Nigeria. The Project includes dedicated climate action, gender equality and youth employment windows.	
EIA required:	No	
Project included in Carbon Footprint Exercise ¹ :	No	

Environmental and Social Assessment

The proposed operation concerns a loan to the Federal Republic of Nigeria (the Borrower) to be on-lent to the Development Bank of Nigeria (DBN, the FI or Promoter) to support micro, small and medium-sized enterprises (MSMEs) and Mid-Caps with their investments in Innovation and digitalisation (50%), the agricultural sector and agri-food value chain (30%) and small scale renewable energy (20%). DBN operates as a wholesale Development Finance Institution (DFI) by providing funding for MSMEs via local commercial banks and microfinance institutions, which will act as participating financial intermediaries (PFIs) to maximise the outreach. The project will be co-financed by the World Bank, the Agence Française de Développement (AFD), and KfW.

In addition, the EIB shall provide Technical Assistance (TA) as a grant to the Promoter to support its and Participating Financial Institutions' capacity to build a pipeline of projects in the digital and innovation and agri-food sectors and improve E&S risk management practices, when necessary.

Environmental Assessment

Given the nature of the eligible sub-projects implemented by MSMEs or Mid-Caps, the associated environmental and social (E&S) risks and impacts are expected to be low but could be potentially higher depending on the sectors, scale and location of the sub-projects. The Bank will require the FI to take all the requisite measures, including adequate due diligence procedures on the PFIs, to ensure that the sub-projects receiving Bank financing will comply with the EIB List of Excluded activities, applicable national E&S legislation and the relevant EIB Environmental and Social Standards.

The FI will be required to verify that the sub-projects are not subject to an Environmental and Social Impact Assessment (ESIA) process due to national requirements or in accordance with EIB's Environmental and Social Standards. Sub-projects with significant negative impacts on areas with high biodiversity value, nature conservation areas, including bird migration routes, will not be eligible. Similarly, sub-projects that involve involuntary resettlement of persons or have a potentially adverse impact on indigenous or traditional communities and/or peoples will be excluded.

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, <date of CA meeting>

The EIB loan will be targeting eligible sub-projects through PFIs, thus the E&S risk management process for the operation relies on DBN's processes to assess PFIs' ESMS and set the requirements they must comply with, which are considered to be satisfactory.

DBN's Environmental and Social Risk Management (ESRM) Policy outlines a robust framework for integrating E&S considerations into its financing activities via its Environmental and Social Management System (ESMS), in line with the World Bank Environmental and Social Standards. DBN's ESMS was developed in 2018 through the support and close supervision of the World Bank's TA, which also funded staff training in DBN and PFIs and audits of the ESMS.

DBN's ESRM policy mandates that all PFIs receiving DBN funds must establish and maintain a fully functional ESMS for assessing, managing, and monitoring E&S risks and impacts tailored to the scale and nature of E&S risks of the sub-borrowers and sub-projects financed through DBN credit lines or guarantees. The ESMS needs to be endorsed by the PFI's senior management and have adequate resources dedicated to its implementation. The PFIs' ESMS must clearly outline the following applicable requirements: (i) sub-borrowers and sub-projects must adhere to relevant environmental and social national and local laws and regulations; (ii) comply with the requirements of the Nigeria Sustainable Banking Principles' (NSBPs) on E&S risk management, and (iii) not finance activities on the DBN's Exclusion List. Also, where specific funds provided through DBN by other shareholders and/or bilateral and multilateral lenders agreements contain requirements such as additions to the Exclusion List, to which DBN has committed to comply, the PFIs will also comply with such exclusion list and other terms/conditions.

DBN performs an initial due diligence on PFIs during the appraisal phase to evaluate their existing E&S risk management capacities. PFIs are categorized (High, Medium, or Low risk) based on the nature and scope of their activities, their exposure to sensitive sectors, and their institutional capacity to manage E&S issues. The PFIs' ESMSs must include the following core components:

1. E&S Policy: A documented commitment to managing E&S risks and impacts.
2. Risk Identification and Assessment Procedures: Structured approaches for screening and categorizing transactions.
3. Organizational Capacity: Adequate staffing, skills, and resources to implement the ESMS.
4. Monitoring and Reporting: Regular reviews of sub-projects and portfolios, including annual E&S reporting to DBN.
5. External Communications Mechanism: To manage public inquiries and complaints related to E&S issues.
6. Occupational Health and Safety Protocols: In compliance with national labour laws and ILO Core Labour Standards.

Where DBN, as a result of its E&S due diligence process, is not satisfied that adequate capacity exists in a PFI for identifying, assessing, and managing risks and impacts, DBN shall also exclude projects with high E&S risks and projects in the EIB's Sensitive Sectors from its support to the PFI, until DBN is able to confirm that the PFI developed adequate capacity over time. Where necessary, DBN will require the PFIs to strengthen their ESMS as well as organizational capacity, responsibilities, and accountability for implementing the ESMS.

DBN maintains an oversight mechanism for ongoing supervision of PFIs' E&S performance. This includes periodic audits of the PFI's ESMS and spot checks on sub-projects. The policy emphasizes continuous improvement and mandates periodic reviews (every two years) of both DBN's and PFIs' ESMS. PFIs are expected to update their systems in line with evolving regulations, donor requirements, and international best practices.

Social Assessment, where applicable

If any of the ESMS processes have determined that women could be negatively affected by the project or that key information is lacking, a more detailed gender analysis must be carried out as part of the ESMS process. The scope and depth of the gender analysis must be proportional to the complexity of the sub-project.

Luxembourg, <date of CA meeting>

DBN's Occupational Health and Safety (OHS) has designed measures to be implemented to address issues relating to the nature of DBN business-related risks. In addition, PFIs are encouraged to develop an OHS management plan.

Public Consultation and Stakeholder Engagement

DBN has developed a grievance mechanism aiming at identifying and addressing E&S issues, both internal and external. The ESMS grievance mechanism addresses stakeholders' complaints related to issues where DBN's projects have failed to respect ESMS principles, standards, and procedures. The mechanism applies to all projects covered under the scope of the ESMS.

DBN encourages PFIs to have a grievance mechanism, process, or procedure to receive and facilitate resolution of concerns and grievances of project-affected parties arising in connection with the project, in particular about the Borrower's environmental and social performance. For sub-projects categorized both as High Risk and where there are affected communities, the application of the relevant requirements of the NSBPs and the WB E&S Standards include a grievance mechanism prepared and implemented per the provisions of the Environmental and Social Framework, which aligns with EIB's requirements.

Conclusions and Recommendations

Given that DNB's ESMS is deemed adequate, and that DNB will be required to request PFIs to:

- Have an ESMS in place that integrates E&S considerations into the financing decision-making and monitoring processes in compliance with: (i) EIB's list of excluded and restricted activities, (ii) applicable national E&S legislation, and (iii) relevant EIB's E&S Standards;
- When needed improvements in the ESMS have been identified through the TA, implement the recommendations or action plan to close the gaps;
- Exclude projects or companies with high risk for negative social or environmental impacts, including those requiring an ESIA and, based on the PFI's ESMS, activities in certain sensitive sectors;
- Exclude projects with significant negative impacts on areas with high biodiversity value, nature conservation areas, including bird migration routes and that involve involuntary resettlement of persons or have a potentially adverse impact on indigenous or traditional communities and/or peoples;
- Verify that the sub-projects obtain, maintain and comply with the requirements of environmental and social permits or authorisations required to operate the sub-projects;

Under these conditions, it is considered that the assessment, management and monitoring procedures carried out for individual sub-projects will appropriately address environmental and social risks and impacts and ensure that the sub-projects to be financed under this operation are implemented in accordance with the Bank's requirements.