

Public

Environmental and Social Data Sheet

Overview

Project Name: TDB SMES AND CLIMATE ACTION LOAN
 Project Number: 2019-0279
 Country: Regional - ACP
 Project Description: Loan up to USD 120m for part-financing eligible projects, including at least 25% climate action projects, undertaken by private sector entities or commercially run public enterprises in the Member States of Trade and Development Bank (TDB), a regional African Development Finance Institution. These eligible investments would be financed directly by TDB or, in the case of loans to small SMEs, through financial institutions.

EIA required: some sub-projects may require an EIA

Project included in Carbon Footprint Exercise¹: no (details for projects included are provided in section: "EIB Carbon Footprint Exercise")

Environmental and Social Assessment

Environmental Assessment

The Financial Intermediary (FI) – TDB, is a sub-regional multilateral development bank operating in the Common Market for Eastern and Southern Africa.

Most sub-projects under the envisaged operation with TDB are expected to be in the health care, agro-processing, hospitality and logistics sector with limited environmental impact. Climate Action sub-projects will generally generate positive environmental impacts, notably by reducing energy consumption, GHG emissions and thus helping to mitigate climate change, however, they may include renewable energy and infrastructure projects that carry environmental and social risks. These projects will be allocated under the so-called climate action window of this operation.

TDB developed its first E&S policy supported by the Netherlands Development Finance Company FMO. In 2015, the policies and procedures underwent a comprehensive review with Technical Assistance (TA) support from the African Development Bank (AfDB). The FI's Environmental and Social Risk Policy follows a yearly review performed by external consultants to ensure that it continues to be in line with international best practice. The yearly review includes an independent review of high impact projects and provides recommendation for improvement that TDB can follow up. Following such recommendation, TDB has recently hired a full-time E&S specialist with relevant experience in assessing environmental and social impacts in infrastructure projects in general, and in energy and mining projects in particular.

TDB develops the organisational capacity and competency for the effective implementation of its E&S system through the systematic integration of training for its new and existing staff members (including UNEP FI ESRA online course, EIB E&S online training, in-house courses).

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 positive or negative.

In addition, the Bank will provide technical assistance (TA) to the Financial Intermediary. Given that this is its first climate window with the EIB and the underlying pipeline of sub-projects for the climate window includes environmentally and socially sensitive projects, TA could be extended to:

- Support TDB in evidencing climate action eligibility for projects or project components to be allocated under the EIB Climate Action window.
- Undertake gap analysis of the existing ESIA for sensitive projects proposed by TDB to be allocated under the EIB Climate Action window, comparing it against the EIB Climate and E&S standards
- Specifically for hydropower projects, ensure that these projects are assessed in line with the EIB hydropower assessment guidelines.
- Conduct climate vulnerability assessments for selected sub-projects in support of the Bank's effort to increase the climate resilience of the projects it is financing.

Social Assessment

Some investments may carry social risks, for example on labour standards or resettlement. The Bank will require the Financial Intermediary to take all the requisite measures to ensure that the subprojects receiving Bank financing will comply with national legislation and the EIB's related environmental and social standards.

Conclusions and Recommendations

The E&S risk management process of the Financial Intermediary complies with the requirements of the EIB for financial intermediaries, i.e. enables the appropriate identification, assessment, management of E&S risks and impacts, including:

- Screening of all final beneficiaries against the relevant list of excluded sectors and activities.
- Ensuring that the final beneficiaries/sub-projects act in accordance with relevant laws and regulations related to environmental and social issues.
- Screening and assessing all projects for their environmental and social impact with dedicated staff.

It should be mentioned that TDB requires compliance with environmental and social standards that may go beyond legal requirements in many African countries. Additionally, the Bank will require the following:

- Sub-projects with significant negative impacts on areas with high biodiversity value and nature conservation areas will not be eligible. Similarly, Sub-projects that involve involuntary resettlement of persons or have a potentially adverse impact on indigenous communities and/or peoples will be excluded.
- Sub-projects under the climate action window will have to be approved by the EIB prior to allocation. As part of the ex-ante approval, the Bank will verify that the provisions of its eligibility criteria and the E&S standards are met.
- For subprojects which are subject to an ESIA (Environmental and Social Impact Assessment), the Financial Intermediary shall refer this sub-project to the EIB and retain on file a copy, provide a digital copy to the Bank, and confirm that the sub-project incorporates all mitigating measures recommended as a result of the ESIA.

Under these terms, it is considered that the procedures carried out for individual sub-projects verified and monitored by the Financial Intermediary will appropriately address environmental and social issues and ensure that the Sub-projects to be financed under this Loan meet the Bank's requirements.