Environmental and Social Review Summary

Appraisal Stage

(ESRS Appraisal Stage)

World Bank Performance Standards (OP 4.03)

Date Updated: 11 May 2020
## BASIC INFORMATION

### A. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Region</th>
<th>Project ID</th>
<th>Parent Project ID (if any)</th>
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<tbody>
<tr>
<td>Africa</td>
<td>Africa</td>
<td>P171967</td>
<td></td>
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</tbody>
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**Project Name**
Regional Infrastructure Finance Facility (RIFF) Project

**Practice Area (Lead)**
Finance, Competitiveness and Innovation

**Financing Instrument**
Investment Project Financing

**Estimated Appraisal Date**
5/4/2020

**Estimated Board Date**
6/18/2020

**Borrower(s)**
Trade and Development Bank (TDB), Common Market for Eastern and Southern Africa (COMESA) Secretariat

**Implementing Agency(ies)**
Trade and Development Bank (TDB), Common Market for Eastern and Southern Africa (COMESA) Secretariat

**Proposed Development Objective(s)**
The PDO is to expand long-term finance to private firms in selected infrastructure sectors in Eastern and Southern Africa.

### Financing (in USD Million)

<table>
<thead>
<tr>
<th>Financing Instrument</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Regional Financial Intermediary – IDA SUF</td>
<td>300.00</td>
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<tr>
<td>IDA Regular credit</td>
<td>15.00</td>
</tr>
<tr>
<td>Regional IDA Grant</td>
<td>10.00</td>
</tr>
<tr>
<td>Montreal Protocol Investment Fund</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Total Project Cost</strong></td>
<td><strong>325.00</strong></td>
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### B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No.

### C. Project Abstract [including Project structure, components, activities, technical design, flow of funds, etc.]
COMESA countries suffer from ailing infrastructure. As at 2014, the region was estimated to have a US$53 billion funding gap for infrastructure. Deficits like these have a clear impact on competitiveness, growth and poverty reduction. Heavy public financing of infrastructure contributes to rising debt to GDP levels. The 2017 Africa Pulse also shows that public investment can crowd-out private investment in the context of weak institutions and borrowing constraints; and that under-execution affects the efficiency of public investment. This comes at a time when public debt vulnerabilities are a growing concern. Nearly half of COMESA member countries are in debt distress or in high risk of debt distress. The total debt outstanding, as a percentage of Gross Domestic Product (GDP), has on aggregate grown from 31.6 to 63.6 percent between 2012 and 2019, much of it on account of investment in infrastructure.

The objective of this operation is to contribute to the long-term finance gap through a regional approach, working with country engagements on the other pillars. The operation seeks to build capacity in a regional institution to provide a larger and sustainable source of infrastructure finance. The operation will have a focus on the energy sector which has a track record of bankable projects. Mobilizing private investment into infrastructure is time-intensive, requires multiple and coordinated projects, and a conscious effort to build specialist institutions and capacity on infrastructure. As a result, it cannot be easily replicated in every COMESA country. Hence, the objective is to use Trade and Development Bank (TDB), which is the development bank for Eastern and Southern Africa, supported by the COMESA Secretariat on the enabling environment, to initiate some of these changes through a regional approach. Not every country can develop their own infrastructure development bank and PPP institutions.

Component 1: Project and Infrastructure Finance Facility (US$225 million)

This credit line will provide long-term finance to project finance and infrastructure sub-projects that meet development impact criteria. Currently, TDB can only lend up to 10 years owing to its current funding structure. The average maturity of its funding for the Project and Infrastructure Finance portfolio is about 7 years. With IDA SUF, TDB will be able to extend the terms of its financing up to 18 years. This will increase the affordability of finance for private sponsors, thus making proposed project finance initiatives more viable. Sub-projects will be selected using a two-stage approach:

- **Stage 1:** Mandatory eligibility criteria: All projects will have to show commercial bankability, leveraging of private finance, compliance with the Environmental and Social (E&S) Exclusion List and the applicable environmental and social performance standards, and with the IDA sustainable development lending policy as applicable to the respective countries.
- **Stage 2:** Prioritization criteria: All eligible projects will be scored against objective, measurable and verifiable criteria along four dimensions: (i) Project benefits and contribution to corporate commitments including job creation, emissions reduction, low income targeting, gender actions; (ii) Positive economic and financial returns; (iii) Strategic relevance with the expansion to FCV countries, and cross-border benefits in terms of trade and investment flows or transfers of technology; (iv) Technical readiness.

At least half of the proceeds are expected to fund renewable energy projects. The acute deficit in COMESA, the cross-border opportunities and the track record of bankable PPP in this sector provide the conditions to mobilize private capital. To date, energy only represents 8 percent of TDB’s project and infrastructure finance portfolio and TDB wants to expand this sector under RIFF.

Component 2: COVID Infrastructure Sector SME Response (US$75 million)
This component will facilitate access to debt financing to off-grid small and medium sized (SME) energy companies. It is expected that a number of solar home system (SHS) companies may benefit, since the COMESA region is the one where the model “pay as you go” (PAYGo) solar is the most developed. According to Lighting Global (2019), sales volumes for PAYGo companies grew by 30 percent in 2018, with revenues having an even better trajectory with 50% growth, primarily driven by larger SHS sales. East Africa alone accounts for nearly 70 percent of global PAYGo market segment revenues. While the PAYGo market in Kenya, Rwanda, Tanzania and Uganda is growing fast, other markets such as DRC, Ethiopia, Madagascar and Mozambique remain well underserved. However mini-grid companies may also benefit. The sector has been affected by the COVID-19 economic fallout, but a scenario of sharp drop in sales due to COVID-19 would leave sufficient demand for the facility. This component will also enhance the liquidity of SMEs involved in infrastructure value chains affected by the COVID-19 crisis.

The World Bank will lend IDA SUF funds to TDB, which meets the requirements set out in the Guidelines for Financial Intermediary Financing. TDB will on-lend directly to off-grid companies in either USD or local currency. The lending would be near market terms to cover the cost of funds, operating costs, credit risk, hedging costs and a small profit element to be determined by TDB in line with its other lending operations to SME. However, such lending would be of longer-term than is now currently available in the market for this type of companies. TDB will identify eligible off-grid SME based on eligibility criteria set out in the Project Operations Manual which are expected to include level of profitability, outreach, expansion to FCV, sound management, etc. The above component will be supported by technical assistance managed by COMESA Secretariat to support the development of a regional market for off-grid energy.

Component 3: Technical Assistance (US$25 million)

The technical assistance will (i) provide the needed expertise to support TDB’s strategic decision to scale-up project and infrastructure finance, contribute to building the market for project finance and strengthen its capacity on E&S; and (ii) help COMESA Secretariat support the enabling environment for private infrastructure finance with a focus on building a regional off-grid energy market.

D. Scope of application of Performance Standards (PSs) [and Environmental and Social Standards (ESSs), if relevant]

The project will apply the World Bank’s Performance Standards (PSs), including relevant WBG Environment, Health, and SafetY (EHS) Guidelines, to all the activities implemented by TDB (components 1, 2 and a portion of component 3) in lieu of the World Bank Environmental and Social Standards. The PSs are considered more suitable for TDB since its Environmental and Social Management System (ESMS) is based on the IFC Performance Standards, and its private sector clients – who are the focus of this project - are familiar with and are using them. TDB reviews its ESMS every year, which provides opportunity for the project to contribute to the strengthening of the ESMS. On the other hand, the project will apply the Environmental and Social Standards (ESSs) to the COMESA Secretariat. COMESA Secretariat

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1 TDB is considered a Private Entity per para 3 of OP4.03 Performance Standards for Private Sector Activities, which states that “a private entity is any natural or legal person, whether privately or publicly owned: (a) which is carrying out or is established for a business purpose, and is operating on a commercial basis; (b) which is financially and managerially autonomous; and (c) whose day-to-day management is not controlled by the government. TDB is majority-owned by governments but operates on a commercial basis according to its Charter; it regularly issues bonds in the capital markets and has investment grade rating by Moody’s. Governments are not involved in the day-to-day management. The Project activities are considered Private Sector Activities per para 4 since TDB will be responsible for identifying, assessing and managing the environmental and social risks, and has an ESMS to identify, assess and manage these risks associated with the subprojects it finances.
is a public regional institution currently owned by 21 member states, hence the application of the ESSs to the activities it will be implementing.

E. Environmental and Social Overview

E.1. Project location(s) and salient characteristics relevant to the ES assessment [geographic, environmental, social]

The Regional Infrastructure Finance Facility (RIFF) Project is a regional collaborative initiative between the World Bank, the Trade and Development Bank (TDB) and the Common Market for Eastern and Southern Africa (COMESA) Secretariat. TDB is a regional African Development Finance Institution which aims to support regional economic integration by fostering development. Since TDB is the main implementing agency, E&S assessment and risk management design for the project has focused on analyzing salient characteristics and parameters appropriate for Financial Intermediary (FI) lending operations – the ESMS - where locations of the investments for which World Bank proceeds will be used would most likely not be known before implementation.

Specifically, as part of its environmental and social (E&S) assessment and due diligence for Financial Intermediary (FI) projects, the World Bank assesses the following key aspects: (1) the nature and risk profile of the FI's current portfolio prior to World Bank's investment with a focus on infrastructure portfolio in case of the RIFF project; (2) the scope and nature of the proposed World Bank's support; (3) the quality and comprehensiveness of the key components of the FI's Environmental and Social Management System (ESMS), where the FI already has one in place, including any existing E&S policies and procedures, organizational capacity and competency, and current monitoring and reporting arrangements; (4) FI's own labor and working conditions and the current policies and organizational structure for managing these aspects; and (5) FI's current approaches for engaging with stakeholders as part of its E&S policies, procedures, and organizational capacity assessment.

1. Initial review of the current TDB’s portfolio E&S risk profile

Established in 1985, the Eastern and Southern African Trade and Development Bank (TDB) is a multilateral, treaty-based development financial institution, with assets of USD 6 billion. TDB approaches its interventions in a manner that pro-actively supports sustainable development, including the reduction of climate risks and expansion of clean energy – in line with the Paris Agreement and SDG commitments linked to environmental protection. To date, 70% of TDB’s energy portfolio is in renewables and half of its overall portfolio directly and indirectly contributes to SDGs (source: https://www.unenvironment.org/news-and-stories/press-release/trade-and-development-bank-unepcollaborate-climate-finance). TDB’s proactive position in integrating sustainability in its operations is demonstrated not only by the development of an Environmental and Social Management System (ESMS) on the Environmental, Social and Governance (ESG) risk side, but also by actively pursuing the formulation of Climate Finance Framework, Sustainability Reporting Framework, and SDG Bonds Framework. To this end, on November 5, 2019, TDB signed an MoU with UN Environment Program to collaborate on climate change mitigation and adaptation actions.

Sectoral exposure: The review of TDB's portfolio of project finance shows main focus on sectors that may present substantial E&S risks and impacts such as agriculture, trade, industry, infrastructure, energy and tourism. Its loan book is dominated by petrochemicals and agribusiness, with gross exposure of 36% and 23% in 2017, respectively. TDB conducts two major types of lending activities: (1) trade finance loans generally with maturities of less than a year to a maximum of 36 months; and (2) project and infrastructure finance loans with maturities from three to 10 and a maximum of 15 years. Both suggest moderate E&S risk exposure in terms of tenor, though it should be noted that World Bank’s involvement aims to enable TDB to lend with longer tenors. However, in terms of investment size and
borrowing entity profile, TDB extends lending to public sector (governments and state-owned enterprises, representing 63% of its portfolio as of December 31, 2018), large as well as small and medium corporations, and other financial institutions. The nature of TDB’s operations means that it lends larger amounts to a smaller number of entities. This leads to high portfolio concentration, which can potentially increase the magnitude of E&S risks and impacts.

Energy is currently TDB’s top financed sector and includes hydro, geothermal, wind, and oil and gas, with oil and gas as the top exposure sector due to trade facilities for countries to purchase petroleum products. The RIFF will not support upstream oil and gas investments (even indirectly), in line with corporate commitments of the World Bank.

2. Scope and Nature of the Proposed World Bank Support and its Environmental and Social Implications

Geographically, RIFF is expected to be implemented in TDB’s IDA member countries, i.e. countries that are part of COMESA. While there are 22 countries that are members of COMESA, some of them FCV countries, it is highly unlikely that the project will have investments in all of them as the project’s focus will be primarily on countries where there is the highest probability and enabling environment to attract private capital and the limited project funding can be leveraged to engage with investors. The following activities considered for the World Bank support to TDB under RIFF are expected to be associated with environmental and social risks and impacts:

A) Component 1: Project and Infrastructure Finance Facility

This component extends long-term finance to private firms in selected infrastructure sectors sub-projects, hence presents direct exposure to E&S risks and impacts of the clearly defined investments that would be supported from World Bank loan proceeds using Project Finance lending instrument. Investments are expected to mobilize private capital, support resilience building, jobs, and trade and investment across borders by making credit available for beneficiary entities. Beneficiary entities will be private firms. The project does not, however, envision funding to be on-lent to other FIs or FI-type entities and all infrastructure investments under this component will be made directly by TDB.

Overall, infrastructure Project Finance normally requires a lot of attention to E&S risks management including potential issues around land acquisition, involuntary resettlement, labor and working conditions, pollution, biodiversity impacts, engaging with IPs and other disadvantaged and marginalized groups, GBV/SEA cases, stakeholder engagement and grievance management, among others. Since the specific risks and impacts cannot be known before project implementation when the specific investments will be selected for financing, it can be anticipated that a wide range of E&S risks may arise within the “long list” of investments that TDB has submitted for World Bank’s consideration. Although the project design does not envision formal restrictions on funding certain infrastructure sectors, except those involving support to greenfield coal power generation and upstream oil and gas, RIFF will consider support for investments in the renewable and clean energy, water and sanitation, ICT/digital, and social sectors that would include health, education and housing. Given the relatively modest size of the credit line, World Bank will work with TDB to diversify the pipeline to achieve maximum positive impact. It is expected that at least half of the proceeds under this component will be used for clean and renewable energy projects. The RIFF will not support upstream oil and gas investments, consistent with World Bank’s corporate commitments.

Other E&S risk factors include the fact that the proposed project may support TDB to invest in infrastructure assets maintenance, which could potentially entail E&S legacy risks.

B) Component 2: COVID Infrastructure Sector SME Response
This component will facilitate the provision of trade finance to off-grid small and medium sized (SME) energy companies. It is expected that a number of solar home system (SHS) companies may benefit. Debt will be directly extended directly by TDB without additional financial intermediation using wholesale-retail financing model (i.e. extending financing through other FIs). Generally, MSME / small corporate finance in the off-grid sector can be expected to carry limited E&S risks. These off-grid companies would typically have a bit of inventory and a sales forces, and they would sell their products directly to end users. Although in these operations, E&S risks are limited there could be potential risks associated with occupational health & safety, worker/labor policies, GBV/Workplace sexual harassment risks. TDB will use their ESMS to identify potential E&S risks and impacts, and the ESMS will be adapted to fit these types of borrowers. This would include among others, the requirement that a disposal/recycling plan for PV panels and batteries be prepared.

C) **Component 3: Technical Assistance**

The technical assistance will (i) provide the needed expertise to support TDB’s strategic decision to scale-up project and infrastructure finance, contribute to building the market for project finance and strengthen its capacity on E&S; and (ii) help COMESA Secretariat support the enabling environment for private infrastructure finance with a focus on building a regional off-grid energy market will be funded by the grant.

**E.2. Client’s Organizational Capacity/Borrower’s Institutional Capacity**

The project will be implemented by two entities: (1) Trade and Development Bank (TDB) will implement Components 1 and 2 and a portion of Component 3, and (2) COMESA Secretariat will implement a portion of Component 3.

**E.2.1: E&S Capacity of Trade and Development Bank**

Investments made by TDB using proceeds of the WB loan will require adequate E&S risk assessments to be undertaken, mitigation measures developed, and adequate supervision and monitoring carried out to ensure effective E&S risk management. TDB’s E&S assessment and risk management design for the subprojects will focus on analyzing salient characteristics and parameters appropriate for TDB’s lending operations, and entities (TDB clients) that implement subprojects will be required to apply the risk mitigation hierarchy of: avoid, reduce, mitigate, and compensate for residual impacts, with close oversight from TDB, and to ensure this, TDB will need to strengthen its E&S staffing capacity to include social and environmental specialists.

TDB developed its first Environmental Policy in June 2005 supported by the Netherlands Development Finance Company (FMO), which indicated a relatively long-standing commitment to sustainability at the early era of sustainable finance (for comparison, the Equator Principles originated in 2004 when global banks like Citi commenced doing the same). In 2010, TDB undertook an exercise to harmonize all its policies and procedures and the harmonized ESM policy was formally approved by the Board of Directors in September 2010. These policies provided the basis for which the environmental and social risk assessment was carried out by TDB. In 2015, the policies and procedures underwent a comprehensive review with Technical Assistance support from the African Development Bank (AfDB). Hence, TDB’s E&S policies and procedures currently in place reference international lenders' standards, including IFC Performance Standards. Other financiers that are relying on the current TDB’s ESMS in their financing support to TDB are AFD and EIB.

So far, TDB has intervened in private infrastructure projects with large-scale resettlement risks through syndications, where another financier was taking the lead on E&S risk management, and it also preferred not to finance complex projects with impacts on indigenous peoples. Nevertheless, TDB does have a functional E&S unit staffed with three-
person professionals, with the ESMS Specialist combining the roles of an environmental specialist and a social specialist. In addition, TDB has been consistently building E&S capacity of its investment staff. TDB is currently refocusing its intervention to grow its project and infrastructure portfolio; it has recruited six senior infrastructure finance experts in the past two years and expanded its business origination capacity through the regional coverage banking teams. The RIFF project aims to strengthen TDB’s capacity to lend towards infrastructure, and this involves strengthening the E&S capacity to identify, mitigate and monitor risks that are involved in infrastructure projects. The technical assistance component will be used for such purpose.

**E2.2: COMESA Secretariat’s Environmental and Social Risk Management Capacity**

ESSs will apply to the COMESA Secretariat and the activities it will implement under Component 3. These activities will support the enabling environment for private infrastructure finance with a focus on building a regional off-grid energy market. It will allow the COMESA Secretariat to support: (i) the harmonization of policies and regulations for cross-border infrastructure trade and investment; (ii) regional integration activities on the off-grid energy sector and (iii) market development activities in the off-grid energy sector in FCV countries.

The technical assistance activities will not involve project specific consultancies. Typical activities will include policy/regulation/standards prepared by COMESA that include guidance on the energy off-grid sector, regional quality assurance standards for stand-alone solar systems, studies to advance common duties and tariffs for off-grid products in the COMESA region; capacity building of member states to strengthen their understanding of the off-grid sector and undertake peer-to-peer learning.

These activities are not expected to have significant E&S risks and impacts. However, E&S capacity building for the Secretariat and member states related to infrastructure finance will be integrated in the activities wherever feasible. The ESF will also apply to the Secretariat to ensure compliance with labor and working conditions.

**I. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS**

**A. Environmental and Social Categorization**

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**B. Environmental and Social Risk Classification**

| High |

The environmental risk is rated high at the appraisal stage. The project plans to support TDB's pipeline of infrastructure investments and also enable TBD to lend with a longer tenor. Many investments are expected to support regional integration by making credit available to final beneficiaries. Investments are expected to demonstrate positive regional economic impact, which may include a consideration for achieving positive E&S outcomes and, among other aspects, climate-related benefits in terms of both mitigation and adaptation given TDB’s institutional priorities and current initiatives in this area (described above). In terms of inherent sectoral risks, which is one of the determining factors for the risk level along with loan sizes, tenors, and types of financial instruments, the review of the current TDB portfolio of infrastructure projects shows significant exposure to relatively high-risk sectors such as agribusiness/ agriculture, transport, energy. The operation will have a focus on the energy sector which has a track record of bankable projects; half or more of the proceeds are expected to fund clean renewable energy projects. However there may be investments in other infrastructure sectors. Typically, construction of new infrastructure may pose risk of environmental pollution and degradation of natural resources (soil, water, ecosystem services) and may generate environmental problems by an inadequate: (i) use of inputs, including chemicals; (ii) consumption of water
resources and consequent degradation of water quality and quantity (affecting users downstream); and (iii) use of gas and oil for equipment; among others.

The social risk rating for this project is rated high at the appraisal stage. The project will finance sub-projects through an FI in multiple sectors and in up to 22 countries in Africa, some of which are FCV in nature, (though as mentioned previously, projects are likely to be located in countries which have an enabling environment to attract private finance into infrastructure). The focus is expected to be on medium to large scale infrastructure projects that are likely to result in significant involuntary resettlement impacts, complex labor management issues, and may be in areas where Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities are present, areas with a high prevalence of Gender Based Violence and Sexual Exploitation (GBV/SEA) which can be exacerbated by the project, areas affected by conflict or violence, or areas hosting refugees. TDB has an ESMS in place that recognizes most of the above social risks. However it is assessed that the ESMS will need strengthening regarding stakeholder engagement and information disclosure, community health and safety, specifically in relation to labor influx, labor risk management especially supply chain & management of contractors, gender-based violence (GBV) and sexual exploitation and abuse (SEA). As discussed above, its capacity to monitor and supervise sub-projects over a large geographical area, as well as the capacity of their potential borrowers is not yet fully known.

II. APPLICABLE STANDARDS  
A. Performance Standards [and the Environmental and Social Standards]

PS1 Assessment and Management of Environmental and Social Risks and Impacts

The World Bank reviewed TDB’s institutional ESMS, TDB’s current capacity to implement such system, its institutional setup and the degree of support from its senior management. The World Bank also reviewed a sample of E&S assessment and risk management instruments previously financed by TDB for similar projects as those that might potentially be supported by the World Bank facility. The World Bank also reviewed TDB’s HR and labor-related policies and practices for its workforce.

TDB’s CURRENT ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM

Overall, TDB has structures and systems in place that can support RIFF implementation, albeit with room for improvement through the RIFF project’s Technical Assistance as discussed below. The current TDB’s E&S capacity comprises:

E&S Policy: TDB has an ESMS with a well-formulated E&S Policy and clearly articulated institutional commitments to integrating E&S sustainability across all its operations, complete with an exclusion list. The policy is based on the IFC (and other DFIs) performance standards and covers most of the elements of the World Bank’s Performance Standards for Private Sector Activities. TDB subjects its E&S risk policy to an annual review, performed by external consultants, to ensure it continues to be in line with international best practice. Under the World Bank financed RIFF project, there is room – through the annual ESMS reviews - to further improve TDB’s ESMS and scale up its institutional capacity and skills mix to undertake detailed due diligence and oversight during the project appraisal and implementation. An Environmental and Social Action Plan (ESAP) has been prepared collaboratively with TDB for the improvement of gaps and weaknesses identified in the ESMS. Currently, TDB’s E&S policy has adequate coverage of environmental and social issues, except for those stated as areas of improvement in the ESAP (e.g. stakeholder engagement).
Protocols and procedures to carry out E&S risk management functions: TDB ESMS includes clear process flow and procedures that are linked to credit and investment cycles, which conforms to the international best practice. Those include a comprehensive decision tree/ matrix with clearly assigned responsibilities and accountabilities for each step, supported by formal guidance and tools to help the responsible persons fulfil their roles in the process consistently. TDB’s E&S procedures also include adequate management programs. From the review of their ESMS, TDB seems to have clear steps for E&S screening of transactions which includes initial assessment of a transaction against the exclusion list and categorization. This is followed by an in-depth ESDD, which is undertaken internally by the TDB E&S staff for moderate and low risk projects or by external experts for high risk and some substantial risk projects. E&S clauses are included in the legal loan covenants. TDB has a 4-point scale categorization system: category 1 for projects likely to have significant adverse environmental impacts that are sensitive, diverse or unprecedented. Category 2 for projects which may result in specific environmental impacts, but these impacts are site specific and few (if any) of them are irreversible. Category 3 for projects with minimal or no adverse environmental impacts. Category 4 for financial intermediary projects (divided into FI1, FI2, FI3 following the same level of risk categorization as for non-FI projects).

Subproject screening and review: TDB has a system in place for the screening and review of subprojects submitted to it for financing, which includes due diligence by its own specialists for low to moderate subprojects and external consultants for high category subprojects. Subprojects are subjected to E&S review at various stages starting with the ESMS Specialist working closely with other specialists (including legal) at the New Deal Forum (that is, the initial credit committee for new request for financing) before submitting it to the ESMS Coordinator who reviews it in consultation with the operational and technical committee before submitting it to the ESMS Manager for review in consultation with the corporate credit committee. From here the proposal is submitted to the Compliance and Credit Management Department from where it is processed up to the Board level as necessary. The E&S team members sit on various credit committees to ensure E&S factors are considered at transaction onboarding and that risks are appropriately categorized and weighted (also best practice).

E&S Staffing: TDB’s E&S unit is mapped to the fully-fledged Compliance and Risk Management Department (CRMD) which was created in 2012 to enhance TDB’s E&S risk assessment and to ensure the E&S risk assessment and management is fully integrated into the bank-wide Enterprise Management System (ERM). The unit is composed of an ESMS Specialist (E&S expert), ESMS Coordinator (a legal expert) and ESMS Manager. In addition, TDB’s E&S policy emphasizes the requirement of engaging external E&S experts during due diligence and monitoring phases of category 1 subprojects. This is to ensure expert advice is obtained at all stages of the project in respect to E&S issues. Currently, the external E&S expert undertakes the independent monitoring work for category 1 subprojects once a year. To ensure compliance with the financing/legal covenants, including those related to E&S, the ESMS specialist works closely with the ESMS Coordinator who is a legal expert. Also, to ensure E&S risks get due attention throughout the organization, over 100 participants from various departments have been trained on E&S to raise awareness and to enable them look out for potential E&S risks in subproject proposals submitted to TDB for financing. Also, there are at least two (2) E&S champions in the organization who help to sensitize other staff on the importance of E&S risk assessment in financing proposals.

WORLD BANK SUPPORT FOR STRENGTHENING TDB’s ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM

Due to a stronger corporate focus on lending to private infrastructure projects, TDB E&S capacity will require strengthening and TDB has expressed keen interest in receiving World Bank support to do so:
(a) **Supporting stronger corporate focus on lending to private infrastructure**: So far, TDB has intervened in private infrastructure projects with large-scale resettlement risks through syndications, where another financier was taking the lead on E&S risk management. As a result, TDB as yet, has no direct experience of leading, on its own, the implementation of subprojects with such complex E&S issues, i.e. those involving physical and/or economic involuntary resettlement or those impacting indigenous peoples. However, TDB is currently refocusing its intervention to grow its project and infrastructure portfolio. TDB has recruited six senior infrastructure finance experts in the past two years and expanded its business origination capacity through the regional coverage banking teams. The RIFF project aims to strengthen TDB’s capacity to lend towards infrastructure, and this involves strengthening the E&S capacity to identify, mitigate and monitor risks that are involved in infrastructure projects. In order to ensure project-financed activities comply with World Bank Group policies and standards, a gradual process has been agreed with TDB whereby for the first few projects under RIFF, the appropriate E&S instruments will be shared with the WB for approval prior to TDB committing funds to the sub-lender, as TDB builds a track record and strengthens E&S capacity. This “gradual process” will be described in the project operations manual. It is expected that the E&S instruments for all hydro power projects, and for the first project in the following categories: wind power; gas fired plant; greenfield geothermal; industry in infrastructure value chains; and any other sub-projects for which WB requests prior review will be submitted to the Bank for approval. After the first 12-18 months from project effectiveness, the Bank will review whether TDB has built sufficient capacity and whether the prior review of the E&S instruments for these types of projects is still required.

(b) **E&S staff capacity strengthening**: As a result of this new strategic focus on private infrastructure, which the RIFF is supporting, TDB will need to increase its E&S staffing capacity to ensure efficiency and effectiveness in RIFF implementation and E&S risk management. Currently, the ESMS Specialist is the only E&S technical expert with responsibility for working directly with TDB clients on a day to day basis across the TDB portfolio, including the review of E&S instruments before involving the external reviewer in the review of Category 1 subprojects. The portfolio currently covers 22 countries and has about 25 category 1 subprojects, in addition to subprojects in the other categories. With the expected increase in the number of subprojects to be implemented by TDB as a result of the RIFF project, intense ongoing E&S monitoring and supervision will be required especially for category 1 subprojects, and given the potential increase in the number of clients who may need capacity building in their E&S risk management responsibilities, TDB will have to enhance its inhouse operational/technical E&S expertise capacity to include social and environmental specialists. Also, the external monitoring expert who currently provides support to TDB once in a year will be required to provide such support at least quarterly, graduating to half yearly as TDB’s internal capacity increases. Within 3 months from effectiveness, TDB will submit to the World Bank a plan to strengthen E&S staffing capacity, commensurate to the sub-projects to be supported under RIFF and due to a potentially increased number of subprojects requiring direct supervision and client support.

(c) **E&S policies and procedures strengthening**: In addition to the E&S staffing capacity strengthening, the ESMS will need strengthening regarding stakeholder engagement and information disclosure, community health and safety, specifically in relation to labor influx, labor risk management especially supply chain/management of contractors, gender-based violence (GBV) and sexual exploitation and abuse (SEA). Also, TDB will train its staff on the implications and implementation of its newly (2019) formulated HR policy and procedures relating to Sexual Harassment (SH) in the workplace. For the energy window, TDB may be required to include additional assessment tools that are based on the PSs. Such tools and capacity to implement them effectively must be included in TDB’s ESMS. The areas of improvement and their timeframes are outlined in the ESAP.
E&S RISK MITIGATION APPROACH FOR WB-SUPPORTED INVESTMENT ACTIVITIES

The RIFF project would adopt the following steps in the process of avoiding, reducing, mitigating, compensating or offsetting for E&S risks and impacts:

1. **TDB’s Institutional Exclusion List.** Exclusion list is the first basic step in calibrating portfolio construction strategy from E&S perspective. Since the majority of DFIs have used this basic negative screening approach for about the past 20 years, with proven effectiveness, TDB’s ESMS already incorporates an exclusion list which is a combination of negative screens of the DFIs that have financed TDB so far (as part of a common approach to strengthening TDB’s ESMS among them as various points in time).

2. **WB’s List of Excluded Activities.** To limit the level of environmental and social risk exposure to the supported TDB portfolio, World Bank and TDB have agreed a list of excluded activities for sub-projects funded by RIFF. Investments that involve relatively higher risk situations/ circumstances - in line with how those are formulated in the WB’s OP4.03 / Performance Standards – will be permanently excluded from RIFF financing and integrated into the overall World Bank’s eligibility criteria for funding that will guide RIFF’s portfolio construction. The List of Excluded Activities will also apply to the technical assistance activities undertaken by TDB.

The list of excluded activities is as follows and shall be explicitly incorporated in the financing agreement:

- Any project involving Indigenous peoples for which free, prior and informed consent\(^1\) is required
- Any project having significant adverse impacts on critical cultural heritage\(^2\)
- Any project having adverse impact on critical habitats\(^3\) and/or legally protected\(^4\) and internationally recognized areas\(^5\) of high biodiversity value
- Any project having direct adverse impact on ecosystem services that might result in adverse health and safety risks to and impact on affected communities\(^6\)
- Any project where a biodiversity offset\(^7\) is proposed as the mitigation measure

1. FPIC applies to project design, implementation, and expected outcomes related to impacts affecting the communities of Indigenous Peoples.

2. Critical cultural heritage consists of one or both of the following types of cultural heritage: (i) the internationally recognized heritage of communities who use, or have used, within living memory the cultural heritage for long-standing cultural purposes; or (ii) legally protected cultural heritage areas, including those proposed by host governments for such designation.

3. Critical habitats are areas with high biodiversity value, including (i) habitat of significant importance to Critically Endangered and/or Endangered species; (ii) habitat of significant importance to endemic and/or restricted-range species; (iii) habitat supporting globally significant concentrations of migratory species and/or congregatory species; (iv) highly threatened and/or unique ecosystems; and/or (v) areas associated with key evolutionary processes.

4. Legally protected areas are those that meet the IUCN definition: “A clearly defined geographical space, recognized, dedicated and managed, through legal or other effective means, to achieve the long-term conservation of nature with associated ecosystem services and cultural values.” For the purposes of this Performance Standard, this includes areas proposed by governments for such designation.

5. Exclusively defined as UNESCO Natural World Heritage Sites, UNESCO Man and the Biosphere Reserves, Key Biodiversity Areas, and wetlands designated under the Convention on Wetlands of International Importance (the Ramsar Convention).

6. For the purposes of this list, ecosystem services are limited to provisioning and regulating services: (i) provisioning services, which are the products people obtain from ecosystems; (ii) regulating services, which are the benefits people obtain from the regulation of ecosystem...
processes, where the project’s direct impacts on priority ecosystem services may result in adverse health and safety risks and impacts to affected communities.

7. Biodiversity offsets are measurable conservation outcomes resulting from actions designed to compensate for significant residual adverse biodiversity impacts arising from project development and persisting after appropriate avoidance, minimization and restoration measures have been taken.

3. **Process of E&S Risks and Impacts Identification.** Under PS1, TDB will require its clients to prepare and submit to TDB for review, an ESIA report and associated risk mitigation instruments that have been prepared from the point of view of all the other PSs and in proportion to the scale and potential impacts of the proposed subproject. Based on the findings of the ESIA, instruments required by the applicable PSs will be prepared in line with the requirements of the PS and the TDB ESMS.

The TDB procedure and process for screening, review and approval of E&S assessment instruments, E&S due diligence, and E&S monitoring and reporting during implementation as written in its ESMS seems adequate to support the implementation of RIFF. Nevertheless, as shown in the capacity section, TDB’s E&S staff capacity (of one ESMS/E&S technical specialist) will be stretched due to increase in the number of subprojects as a result of RIFF and should be increased by the onset of implementation.

In addition to robust Environmental and Social Impact Assessments (ESIAs) to inform which other PSs should be applicable to a subproject, additional studies that will inform preparation of thematic risks and impacts management plans would be required (e.g. Biodiversity Management Plans, Labor Management Plan, GBV and SEA Management Plan, Stakeholder Engagement Plan, Grievance Redress Mechanism etc.) for investments supported by the World Bank. For the first few projects being funded under RIFF, the appropriate instruments (ESIAs, RAPs, GBV Action Plans, IPPs, Labour Management Plans etc.) will need to be developed by the sub-lender, reviewed and approved by TDB, and shared with the WB for approval prior to TDB committing funds to the sub-lender, as TDB builds a track record for IDA. This “gradual process” will be described in the project operations manual.

Since the exact investment subprojects and their locations will not be known until RIFF enters implementation phase, it can be assumed that any of the thematic risks covered by the WB PSs can arise and be covered in the identification and assessment of E&S risks and impacts process. Therefore, the World Bank will require TDB to take all the requisite measures to ensure that the subprojects receiving Bank financing will comply with applicable country legislations of the countries where TBD makes the investments and the WB’s applicable performance standards (PSs). All investments - which would constitute project or corporate finance for which WB's PSs are most readily applicable - are expected to comply with the relevant provisions of the World Bank PSs.

**Specific Considerations for Each Project Component**

(1) In the case of the Component 1, all investments - which would constitute Project Finance for which WB’s PSs are most readily applicable - are expected to comply with the relevant provisions of the 8 World Bank PSs in addition to stakeholder engagement and information disclosure.

(2) In case of Component 2, which will constitute SME finance extended directly by TDB without additional financial intermediation using wholesale-retail financing model (i.e. extending financing through other FIs), TDB will use its own ESMS to identify E&S risks and impacts, and TDB’s ESMS will be adapted to fit this clientele. This would include, among others, the requirement that a disposal/recycling plan for PV panels and batteries be prepared.
Stakeholder Engagement and Information Disclosure

Stakeholder engagement will be required for all concerned parties including those affected by subprojects and other parties that may be involved in service delivery. For example, in a project involving land acquisition, the project affected persons, relevant civil society organizations (CSOs) and government entities that are involved in land issues would be included among the stakeholders to be engaged. Since not all subprojects may be known until implementation, the degree and specific approaches for stakeholder engagement requirements will be determined based on each subproject’s nature and circumstances. To this end, TDB has a stakeholder engagement plan as part of its ESMS. TDB’s current E&S Policy of January 2019 requires their clients to have proactive engagement with stakeholders and information disclosure at the community/beneficiary level. This policy has specific provisions that require the clients to establish a mechanism to receive and facilitate the resolution of affected people’s concerns and grievances and recommends tools for the same. However, the stakeholder engagement and information disclosure aspects of the TDB ESMs will need to be improved to align it to the Bank’s public disclosure requirements by integrating it into TDB’s E&S management procedures. For example, for RIFF, TDB’s clients will be required to prepare and publicly disclose their Stakeholder Engagement Plan (SEP) before TDB commits RIFF funds to finance their subprojects. SEPs are required under Performance Standard 1, where there are affected communities. To achieve this, TDB will have to include in their ESMS requirements and procedures for the preparation of a SEP, consistent with PS1.

Specifically, the World Bank’s SEP requirements call for the following (i) identification and mapping of expected types of key stakeholders; (ii) requirements for the FI subproject implementors to engage with the stakeholders, especially with potentially affected Indigenous Peoples’ (IP) representatives and other vulnerable groups, as applicable to each FI subproject; (iii) the requirement for the FI to develop a SEP scaled to the project risks and impacts of the project, and tailored to the characteristics and interests of the Affected Communities; (vi) requirements for frequency of engagement throughout the project cycle; (v) procedures for feedback solicitation, recording and monitoring; (vi) the need to define the responsible party for stakeholder engagement; (vii) timeline for the engagement; (vii) budget and human resources needed to implement the SEP/SEP by the FI, and to implement subsequent SEPs by the FI subprojects. It is expected that TDB will effectively abide by these stakeholder engagement requirements.

For each subproject to be financed by RIFF, TDB will require its borrowers to conduct stakeholder engagement in a manner that is proportionate to the potential risks and impacts of the subproject. In addition, TDB will be required to put in place procedures for external communications on E&S matters proportionate to the risks and impacts of the subprojects, and the risk profile of TDB portfolio to enable TDB respond to stakeholder enquiries and concerns in a timely manner.

With the outbreak and spread of COVID-19, countries have taken various restrictive measures, some imposing strict restrictions on public gatherings, meetings and people’s movement, and others advising against public group events. At the same time, the general public has become increasingly aware and concerned about the risks of transmission, particularly through social interactions at large gatherings. The stakeholder engagement for the sub-projects will thus be designed accordingly, to use more on-line channels and all medium of communication depending on the situation on the ground.

On information disclosure, TDB will disclose through its website, and permit, the Bank, in writing, to disclose on the Bank’s website, a summary of each of the elements of TDB’s ESMS. Likewise, TDB will require its sub-borrowers to disclose, in relation to subprojects financed by the Project, any project-related documents required; (a) by the
application of the PSs; (b) for any subprojects categorized as high risk in accordance with TDB’s own categorization system; and (c) any environmental and social monitoring reports relating to (a) or (b).

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

ESS1 is the “umbrella ESS” on whose findings and recommendations the application of all the other ESSs depend. This ESS will therefore apply to the activities under component 3 of the project which will be implemented by the COMESA Secretariat. COMESA Secretariat will be asked to evaluate, as appropriate, whether any of the awareness raising, market development and capacity building activities supported by the World Bank, once their scope becomes better defined, has the potential of generating physical E&S risks and impacts. In those cases, COMESA Secretariat will follow relevant requirements of the ESF in preparing the TORs for such activities and, as relevant, integrating consistent E&S messaging for key target audiences.

ESS10 Stakeholder Engagement and Information Disclosure

Stakeholder Engagement and Information Disclosure are subsets of all the other ESSs and is therefore applicable to the COMESA Secretariat Activities. This ESS will apply to the Secretariat activities, and COMESA Secretariat will be asked to engage with relevant stakeholders around the WB-supported activities.

PS 2 Labor and Working Conditions

The current TDB E&S Policy of January 2019 identifies labor and working conditions as a cross cutting risk across its portfolio. TDB shall not directly finance any project, infrastructure or trade finance activity involving Production or activities involving harmful or exploitative forms of forced labor/harmful child labor and prostitution and/or Pornography as per the current exclusion list in TDB’s ESMS document. TDB is currently monitoring the compliance of sub-projects in line with IFC’s Performance Standard 2 as follows:

- All projects have an HR policy
- TDB is working to reinforce processes within the borrowers for No Child and Forced Labor, No Discrimination,
- Equal Opportunities and Grievance Mechanisms
- Positive Approach on Labor conditions – PPE/C compliance,
- All projects developed emergency response capabilities and TDB is reinforcing the establishment of drill programs, including surrounding communities
- TDB is reinforcing that EHS measures being applied in the borrowers’ site are adopted in the supply chain

Not all sub projects will be known until implementation, however given that the project will support relatively large-scale infrastructure, labor force – including contracted workers and primary supply workers are expected to be hired. Due to this, TDB will be required, through its ESMS, to guide its clients in the management of risks associated with issues such as labor influx, conditions of work, GBV/SEA and security of workers, and to have codes of conduct for interaction with local communities, and proper worker accommodations at construction camps. For these and other related risks, detailed employment and labor management procedures, including procedures for the management of sexual harassment in the workplace and the prevention of child and forced labor, will need to be put in place by TDB clients (borrowers). The borrowers will be expected to share their codes of conduct, and other labor management plans with TDB. These will be required to be part of the financing agreements.

In addition, PS2 will apply to TDB itself. TDB is expected to have in place and maintain appropriate labor management policy and procedures, including procedures relating to working conditions and terms of employment,
nondiscrimination and equal opportunity, grievance mechanisms and occupational health and safety. At the end of 2018, TDB had 139 employees and 44% were female. TDB has a formal process to assess performance and conducted a staff survey in 2018. TDB has a formal code of conduct in place, enforced through the Human Resources and Administration Department and Compliance. Annual compulsory trainings for all staff are conducted. TDB also has a formal whistleblowing mechanism in place. In 2019 TDB prepared its internal Sexual Harassment (SH) policy and procedures. However, TDB is yet to train and create awareness among its staff on the practical implications of the policy. TDB will be required to undertake the training and awareness creation for its staff prior to the start of RIFF implementation.

ESS2 Labor and Working Conditions

This ESS will apply to the COMESA Secretariat activities. COMESA Secretariat has already in place adequate labor and working conditions policies for its workforce, including a grievance mechanism. COMESA will be asked to maintain the same.

PS 3 Resource Efficiency and Pollution Prevention

The exact projects will not be known until implementation, however given that the project will support relatively large scale infrastructure, a wide range of pollution and resource efficiency issues is expected to arise in the supported projects.

In general, PS3 is relevant for the project due to financing of rehabilitation or construction of new infrastructure, as subprojects may pose risk of environmental pollution and degradation of natural resources (soil, water, ecosystem services) and can result in impacts if not well identified and mitigated. Such subprojects could include construction of new infrastructure, such as roads and water treatment facilities, use of technologies, equipment, among others. These activities may generate environmental problems by an inadequate: (i) use of inputs, including chemicals; (ii) consumption of water resources and consequent degradation of water quality and quantity (affecting users downstream); and (iii) use of gas and oil for equipment; among others.

The ESMS will consider the expected types of FI subproject-level risks and impacts and establish the applicable general requirements for mitigation measures as appropriate, considering country context and legislation as well as capacities at different levels of stakeholders and contributing agencies. The ESMS will also include specific measures for FI subproject implementation entities regarding the prevention or mitigation of pollution or degradation of natural resources (mainly soil and water) when handling hydrocarbons (oil and gas) for equipment in construction activities. The use of water, energy and raw materials should be assessed considering the mitigation hierarchy and efficient use and management of all types of material, including waste.

ESS3 Resource Efficiency and Pollution Prevention and Management

Not relevant.

PS 4 Community Health, Safety and Security

All the sub projects will not be known until implementation, however given that the project will support relatively large scale infrastructure, a broad range of community health and safety issues is expected to be involved. E&S risks
that are typical of infrastructure subprojects in the TDB’s geographic areas are expected. These include influx of labor (in-migration), traffic safety, issues of gender-based violence (GBV), sexual exploitation and abuse (SEA), spread of diseases from incoming workers to local communities and vice versa, security risks and conflict over resources. The list of excluded activities includes subprojects having direct adverse impact on ecosystem services that may result in adverse health and safety risks to affected communities.

To ensure the health and safety of the community, TDB will update its ESMS to include requirements and procedures for the management of GBV/SEA, community health & safety and labor influx risks. In this regard, TDB will require its clients to prepare and implement/enforce the management of such risks, including codes of conduct for contractor and subcontractor workers. This requirement will be part of the financing agreements between TDB and its sub-borrowers, and will be submitted to TDB by the borrower prior to start of construction work. The ESMS document makes references to the potential Occupational Health and Safety risks and labor influx, and has made provision for integration into its ESMS and project financing procedures.

Regarding Infrastructure and Equipment Design and Safety, TDB’s sub-borrowers under RIFF will design, construct, operate, and decommission the structural elements or components of the project in accordance with GIIP, taking into consideration safety risks to third parties or Affected Communities. When new buildings and structures will be accessed by members of the public, TDB’s sub-borrowers under RIFF will consider incremental risks of the public’s potential exposure to operational accidents and/or natural hazards and be consistent with the principles of universal access. Structural elements will be designed and constructed by competent professionals, and certified or approved by competent authorities or professionals. When structural elements or components, such as dams, tailings dams, or ash ponds are situated in high-risk locations, and their failure or malfunction may threaten the safety of communities, TDB’s sub-borrowers under RIFF will engage one or more external experts with relevant and recognized experience in similar projects, separate from those responsible for the design and construction, to conduct a review as early as possible in project development and throughout the stages of project design, construction, operation, and decommissioning. For projects that operate moving equipment on public roads and other forms of infrastructure, TDB’s sub-borrowers under RIFF will seek to avoid the occurrence of incidents and injuries to members of the public associated with the operation of such equipment.

ESS4 Community Health and Safety

Not relevant

PS 5 Land Acquisition and Involuntary Resettlement

Given the project’s focus on providing financing to medium to large scale infrastructure, sub-projects are expected to require land acquisition, restrictions on land use and/or involuntary resettlement that may involve physical and/or economic displacement with potential adverse impacts on people’s livelihoods. The scope and complexity of these resettlement impacts as well as the context in which they occur and the capacity of the sub-borrower who will be responsible for managing the land acquisition and resettlement process will greatly affect the social risk assessment of the proposed sub-projects. Subprojects with potentially large-scale involuntary resettlement impacts (above 200 projects affected persons (PAPs) for physical displacement and 1000 project affected persons (PAFs) for economic displacement) would require prior clearance from the World Bank to be eligible for RIFF financing. The same

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2 Refer to IFC EHS guidelines https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/ehs-guidelines
thresholds will apply to the technical assistance activities on E&S feasibility studies (for studies involving large-scale involuntary resettlement, TDB will seek the World Bank approval prior to undertaking them).

TDB’s practical experience with application of its ESMS policies to involuntary resettlement (whether small or large) is limited. To date TDB’s experience in implementing involuntary resettlement subprojects has been limited to working as a part of a syndication where the lead implementer is IFC, AfDB or some other development bank. On their own, TDB has in the past avoided financing such projects so as not to expose itself to the potential E&S risks. The World Bank and TDB have agreed to work closely to enable TDB to build its E&S capacity for the management of subprojects that involve involuntary resettlement that are likely to come up for financing under RIFF. In this regard, a gradual process has been agreed between the WB and TDB whereby for the first few projects funded under RIFF, TDB will share with the WB for approval the E&S instruments (ESIAs, RAPs, Livelihood Restoration Plans) as TDB builds a track record and strengthens its E&S capacity. After that, for subprojects that are above the threshold, TDB will seek approval from the World Bank prior to committing financing under RIFF.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

Not relevant

PS 6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

The exact projects will not be known until implementation, however given that the project will support relatively large scale infrastructure, biodiversity issues are expected to arise in many, albeit not all, supported projects. In general, PS6 standard is relevant for the project. Some FI subprojects might (i) be located in modified or natural habitats; or (ii) potentially affect or be dependent on ecosystem services. To limit the level of environmental risk exposure in the sub-projects, the list of excluded activities that has been agreed on with TDB has excluded subprojects having adverse impacts on critical habitats and/or legally protected and internationally recognized areas of high biodiversity value and subprojects where a biodiversity offset is proposed as the mitigation measure.

TDB will apply the requirements of its ESMS to subproject implementing entities to identify relevant risks and impacts in line with PS1 and PS6, consider direct and indirect subproject-related impacts on biodiversity and ecosystem services, and identify any significant residual impacts. The process will consider relevant threats to biodiversity and ecosystem services, especially focusing on habitat loss, degradation and fragmentation, invasive alien species, overexploitation, hydrological changes, nutrient loading, and pollution. It will also consider the differing values attached to biodiversity and ecosystem services by Affected Communities and other stakeholders as appropriate. Where natural habitats might be impacted, the relevant PS6 alignments will be applied, including consideration of subproject-related impacts across the potentially affected landscape or seascape. The list of excluded activities includes sub-projects having adverse impact on critical habitats and/or legally protected and internationally recognized areas of high biodiversity value and where a biodiversity offset is proposed as the mitigation measure.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

Not relevant

PS 7 Indigenous Peoples

Indigenous Peoples as defined by the PS7 may be present in many of the countries in which TBD is expected to finance sub-projects under RIFF. TDB has a policy on Indigenous Peoples. However, to date, TDB has no experience with implementation of subprojects with impacts on IPs. Like subprojects involving involuntary resettlement, TDB
has, to date, avoided financing subprojects with impacts on IPs due to potentially high E&S risks associated with such projects. For this reason, TDB is committed to prohibit financing any subproject, infrastructure or trade activity that would impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such people as per the current exclusion list in the ESMS policy document. Owing to TDB’s limited experience and capacity in working with IPs, subprojects with impacts on IPs that require free, prior and informed consent (FPIC) are excluded from financing under RIFF. Nevertheless, the World Bank will work closely with TDB to build their capacity in working with IPs in the implementation of subprojects that do not require FPIC, should these be presented for financing under RIFF. In this regard, a gradual process has been agreed between the WB and TDB whereby for the first few projects funded under RIFF, TDB will share with the WB for approval the relevant E&S instruments (under PS 7, Social Assessments and Indigenous Peoples Plans – IPP), as TDB builds a track record and strengthens E&S capacity. In addition, for projects that do not require FPIC, TDB will share with the WB the relevant instruments for review and advice.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

Not relevant

PS 8 Cultural Heritage

TDB-financed subprojects may have direct, indirect, and possibly cumulative risks or impacts on cultural heritage. TDB’s ESMS prohibits financing of any subproject, infrastructure or trade finance activity impacting upon World heritage sites and other protected areas. TDB has experience with projects that have impacted cultural aspects of some of the affected communities, e.g. on matters of handling graves. Any gaps in TDB’s own ESMS will be supplemented by requirements of PS 8. The List of excluded activities includes subprojects having significant adverse impacts on critical cultural heritage.

ESS8 Cultural Heritage

Not relevant

ESS9 Financial Intermediaries

The requirements of this standard will not apply to the COMESA Secretariat component of the project since the secretariat is a public entity that supports the 21 COMESA member states in their cross-border trade facilitation activities.

B. Other Relevant Project Risks

C. Reliance on Borrower’s policy, legal and institutional framework, relevant to the Project’s specific ES risks and impacts. This is relevant only for components that apply the ESSs.

_Is this project being prepared for use of Borrower Framework? (no)_

D. Common Approach (yes/no). This is relevant only for components that apply the ESSs.
E. Legal Operational Policies that Apply (to the Project)

OP 7.50 Projects on International Waterways  Yes

Explanation:
TDB has identified an indicative list of sub-projects that may be financed under the RIFF. Some of these sub-projects use international waterways as defined in paragraph 1 of the Policy. For sub-projects located on international waterways that flow entirely within TDB member countries, the notification requirement according to the Policy is met given that the member countries of TDB are informed about the scope of this project and likely investments. For one sub-project located on an international waterway flowing between riparians that are not TDB member countries, an exception to the notification requirement was granted. Since the list of sub-projects currently identified is only indicative, any sub-project that is ultimately considered for financing by TDB and that will use or risk polluting the waters of an international waterway will require prior approval by the Bank. TDB will have to confirm and provide evidence that a notification process in line with OP 7.50 has been carried out and no substantive objections to the sub-project have been raised by riparian countries to obtain prior approval by the Bank. This procedure will be described in the Project Operations Manual.

OP 7.60 Projects in Disputed Areas  No

Explanation:
Any potential projects that involves activities located in disputed areas will not be eligible for financing under this Project and explicit language to that effect will be integrated in the financing agreement.

III. CLIENT’s ENVIRONMENTAL AND SOCIAL ACTION PLAN (ESAP)

Instruction to Staff: The ESAP sets out material measures and actions, any specific documents or plans, as well as the timing for each of these. The ESAP should include action items that directly correlate to a specific PS requirement gap that the client needs to address to comply with the PSs. The ESAP also includes the client’s Management Programs and any other E&S documents as described and presented in the ESRS.

Provide a summary of the actions required under the ESAP

<table>
<thead>
<tr>
<th>Description</th>
<th>Anticipated Completion Date</th>
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<tbody>
<tr>
<td>PS1 Assessment and Management of Environmental and Social Risks and Impacts</td>
<td></td>
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</table>

May 11, 2020
1. **TDB to update its ESMS to include requirements and procedures for:**
   a. Stakeholder engagement and information disclosure
   b. Management of risks related sexual harassment (SH) in the work place
   c. Public disclosure of its GRM procedures and grievance receipt interface

2. Ensure TDB’s clients are preparing and implementing/enforcing the management of above risks, including codes of conduct for contractor and subcontractor workers

3. Include additional tools in the ESMS that are specific for the assessment of the component 2

4. TDB to submit to the World Bank a plan to strengthen E&S staffing capacity due to a potentially increased number of subprojects requiring direct supervision and support to its clients

5. TDB to implement the agreed plan, including with training/capacity building of all loan officers and TDB staff who are going to work on the WB funded lending and the ESMS.

6. Put in place (a) dedicated independent third-party E&S monitoring for category 1 subprojects under RIFF who reports to TDB on the state of E&S implementation of such projects on a quarterly basis, and, (b) put in place the same for category 2 projects when TDB and World Bank agree on the need to do so. In case of third-party monitoring for individual subprojects, quarterly reports will be submitted to the Bank.

7. TDB will prepare E&S feasibility studies, including ESIAs and associated instruments, that will be supported from the WB technical assistance window in compliance with the applicable Performance Standards. The ESIAs and associated instruments with be approved by the World Bank.

8. TDB to submit to the WB for review and approval the E&S instruments for the first few sub-projects, as described in the project operations manual

**PS 2 Labor and Working Conditions**

<table>
<thead>
<tr>
<th>Task</th>
<th>Implementation Schedule</th>
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<tbody>
<tr>
<td>Train TDB staff on the implications of, and implement the new HR policy, procedures and code of ethics, especially those relating to Sexual Harassment (SH) in the work place</td>
<td>Within first year of project effectiveness</td>
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**PS 3 Resource Efficiency and Pollution Prevention**

<table>
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<tr>
<th>Task</th>
<th>Implementation Schedule</th>
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<tbody>
<tr>
<td>TDB to develop a tool for calculating climate mitigation and adaptation benefits of its subprojects</td>
<td>Within first year of project effectiveness</td>
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</tbody>
</table>

**PS 4 Community Health, Safety and Security**

<table>
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<tr>
<th>Task</th>
<th>Implementation Schedule</th>
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</thead>
<tbody>
<tr>
<td>1. Access the services of GBV experts to support TDB to include GBV/SEA risk management strategies in its ESMS policy and procedures</td>
<td>1. By Effectiveness</td>
</tr>
<tr>
<td>2. TDB to submit to the Bank a plan to Update the ESMS to include requirements and</td>
<td></td>
</tr>
</tbody>
</table>

3 Examples of such tools may be exclusion criteria specific to the energy sector, E&S screening and risk mitigation questionnaires, corrective action plans suitable for application by SMEs /small corporates based on their size, loan tenors, and capabilities

4 E.g. one E&S specialist can effectively monitor and supervise at most 15 project finance transactions, including offering the necessary support to clients
procedures for the management of GBV/SEA and other labor influx risks and ensure TDB clients and their subcontractors are preparing and enforce GBV/SEA and Labor Influx management plans

3. TDB to implement the agreed plan. No sub-project with potential GBV risks is to be financed under RIFF before TDB’s ESM has been duly updated and appropriate provisions included in the legal agreements with TDB’s borrowers and their sub-contractors.

4. TDB to train staff on GBV/SEA risk management strategies in infrastructure subprojects to enable them review E&S instruments prepared by TDB clients from the GBV risk management point of view

<table>
<thead>
<tr>
<th>PS 5 Land Acquisition and Involuntary Resettlement</th>
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<tbody>
<tr>
<td>1. For subprojects above the agreed E&amp;S threshold, seek Bank approval prior to committing RIFF financing for such projects</td>
</tr>
<tr>
<td>2. For technical assistance activities that involve involuntary resettlement above the agreed thresholds, TDB will seek Bank approval prior to undertaking the studies</td>
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<tr>
<th>PS 6 Biodiversity Conservation and Sustainable Management of Living Natural Resources</th>
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<th>PS 7 Indigenous Peoples</th>
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<tbody>
<tr>
<td>For subprojects impacting IPs and that are not included in the exclusion list, share with the Bank E&amp;S instruments prepared by TDB clients and TDB’s review findings for the Bank’s review and advice</td>
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<th>PS 8 Cultural Heritage</th>
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<tbody>
<tr>
<td>Chance finds procedures in line with PS8 and national regulations will be employed and included in contracts; that cultural heritage and protected area management plans will be prepared</td>
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<tr>
<th>IV. BORROWER’S ENVIRONMENTAL AND SOCIAL COMMITMENT PLAN (ESCP)</th>
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<tr>
<th>DELIVERABLES against MEASURES AND ACTIONS IDENTIFIED</th>
<th>TIMELINE for DELIVERABLES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ESS1 Assessment and Management of Environmental and Social Risks and Impacts</strong></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>COMESA will assess E&amp;S considerations of its WB-supported activities for their potential to result in physical E&amp;S risks and impacts and, if needed, integrate relevant requirements of relevant WB ESSs into any relevant TORs</td>
</tr>
</tbody>
</table>
### V. WORLD BANK E&S OVERSIGHT

Corporate advice/oversight will be provided by an Environmental and Social Standards Adviser (ESSA) during project preparation

### VI. CONTACT POINTS
VII. FOR MORE INFORMATION CONTACT
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VIII. APPROVAL
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Country Director: Deborah L. Wetzel