



# Appraisal Environmental and Social Review Summary

## Appraisal Stage

### **(ESRS Appraisal Stage)**

Date Prepared/Updated: 04/25/2023 | Report No: ESRSA02763



**BASIC INFORMATION**

**A. Basic Project Data**

Country	Region	Project ID	Parent Project ID (if any)
Angola	EASTERN AND SOUTHERN AFRICA	P178035	
Project Name	Accelerating Economic Diversification and Job Creation		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Finance, Competitiveness and Innovation	Investment Project Financing	4/24/2023	5/31/2023
Borrower(s)	Implementing Agency(ies)		
Republic of Angola	Ministry of Economy and Planning		

Proposed Development Objective

Increase private investment and climate resilient growth of micro, small and medium enterprises in non-oil value chains, particularly in the Lobito corridor

Financing (in USD Million)	Amount
<b>Total Project Cost</b>	<b>580.00</b>

**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. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]**

The project's guiding principle is to support the development of the private sector i) to promote economic diversification away from oil, in a sustainable and more geographically balanced manner; and ii) to create more private sector jobs by addressing constraints to investment and firm growth. The project will seek to mobilize private capital for productive infrastructure to unlock investment in value chains (especially underdeveloped segments such as logistics and processing, and related services), leveraging infrastructure investments and increases in agriculture production and productivity in the Lobito corridor, and complementing other government programs. It will also support the growth of markets for financial and business support services, with a focus on MSMEs, and especially



MSMEs owned/led by women. The Lobito corridor was selected considering experience with place-based policies, for which the existence of economic fundamentals is a necessary condition for effectiveness.

The proposed project would be structured in four interrelated components (indicative component amounts are in brackets) described below:

Component 1. Enabling environment for trade and investment (\$40 million). This sub-component will support institutional capacity building through technical assistance, investments in the development of IT systems and equipment, and small works encompassing three subcomponents:

1(a) Improving trade facilitation (\$28 million): support to streamline import/export/transit procedures, strengthening of risk management systems, and a simplified regime for small-scale cross-border traders, with a focus on addressing the constraints faced by women traders. This includes investments in systems and capacity building to eliminate unnecessary procedures and develop a single window for trade.

1(b) Improving the environment for firm entry and operations (\$6 million): support to streamline company registration and selected administrative procedures to operate a business, and expanding availability of these government services, especially in the Lobito corridor.

1(c) Strengthening financial sector infrastructure and depth (\$6 million): finance selected public investments in legal, informational, and transactional infrastructure—such as the movable collateral registry—and in the development of financing instruments that can enable more financing and improved financial services for businesses.

This component will also support MEP in promoting and coordinating business environment reforms, including support to prepare and oversee the implementation of action plans to improve the business environment, coordinate with relevant government entities, and develop mechanisms for regular public-private sector dialogue at the national and subnational levels. Improvements in the regulatory environment at the provincial level will receive special attention, especially in the provinces of the Lobito Corridor.

Under this component, the project will finance works for (i) the rehabilitation of infrastructure at key border posts crossings of Luvo and Luau (buildings and space for inspections, internet/power supply) and (ii) the refurbishment of office spaces (e.g. partitions, painting, window repairs) for government services relevant for business entry and operations and dedicated to back-office tasks and customer service areas.

Component 2. Catalytic investments in productive infrastructure (\$130 million). This component will support improvements in productive infrastructure (e.g. industrial infrastructure and logistics platforms) in economic hubs of the Lobito Corridor, where private sector demand is confirmed. The support will promote private sector participation to ensure a sustainable business model and potentially mobilize private investment through public private partnerships (PPPs). The selection of the potential PPP projects and investments will be based on an initial screening, market and demand assessments and pre-feasibility studies. The project will finance activities along three subcomponents:

2(a) Strengthening capacity for developing productive infrastructure as PPPs (US\$17 million): enhance the ability of relevant government agencies to develop productive infrastructure PPPs,. This subcomponent will also include studies



to support the development of the Lobito Corridors such as investor demand assessments and spatial development strategies.

2(b) Due diligence for productive infrastructure PPPs (US\$13 million): support the development of a few 'first mover' PPP transactions that satisfy project selection criteria and the establishment of a project preparation fund (PPF). The activity will provide resources for conducting detailed due diligence for selected productive infrastructure PPP transactions to ensure market-credible projects. The Caala Logistics Platform (Huambo Province) and the development of the Catumbela Industrial Development Pole (Benguela Province) are two preliminary 'first mover' PPP Transactions that may be supported under the project.

2 (c) Public investment in climate resilient last mile infrastructure (US\$100 million): finance last mile infrastructure investments to support improvements in productive infrastructure such as Logistics Platforms (LPs) and Industrial Development Poles (IDPs) through PPPs. Planned last-mile infrastructure will include works (e.g. land preparation and development, rehabilitation of access roads, sewerage systems, power distribution lines, water supply lines, buildings, rail landings, perimeter walls, central effluent treatment, power supply, and water purification) in brown and greenfield areas in the Lobito corridor. The feasibility studies for last mile infrastructure, technical blueprints designs, and its construction will include climate adaptation and mitigation elements such as adoption of higher flood protection standards, peripheral rainwater harvesting facilities, renewable energy and energy efficiency improvements.

Component 3. Supporting firm growth (\$115 million). This component will finance investments and business development services to improve growth, productivity, and market access for MSMEs, with special attention to addressing the specific constraints of women-owned MSMEs. MSMEs vouchers and grants and credit guarantees planned under this component will finance investments and business development services to improve growth, productivity, and market access for MSMEs in any sector of activity, as long as they are not related to activities with potential high adverse environmental and social (E&S) risks and impacts; a list of excluded activities, build upon the IFC exclusion list, will be incorporated in the ESMF and the project implementation manual (PIM) for the firm capabilities and technology adoption and the Credit Guarantee Scheme (CGS).The project would finance activities along the following two subcomponents:

Subcomponent 3(a). Strengthening firms' capabilities and technology adoption (\$35 million). This subcomponent will address key obstacles to management practices and technology adoption, namely lack of capabilities, and financing. To achieve this objective, this subcomponent will have a strong focus on developing digital solutions for firms, including digital financial services and digital platforms. The subcomponent will use a funneling approach which targets efficiency, leveraging on sequencing to be most effective in benefiting MSMEs and generating opportunities. In a first stage, the project will map firms' management and technology adoption capabilities in order to establish objective criteria to determine the eligibility of firms for the next phases of the program. In a second stage, firms meeting priority criteria—such as being located in the Lobito corridor, firms and cooperatives with export and greening potential, and women-led businesses—will receive technical assistance targeted at improving management capabilities, technology adoption or digitization. This stage will also include a module with customized solutions for women owned/led businesses. In a third stage, firms that meet priority criteria of greening and technology diffusion potential, will be invited to apply to a selective proof of concept grant for investment in technology upgrading.



Subcomponent 3(b). Sharing risk to promote lending to creditworthy firms (\$80 million). A dedicated window will be created under the Credit Guarantee Fund (Fundo de Garantia de Credito) to de-risk and promote bank lending to MSMEs.

Components 1 to 3 will finance several Technical Assistance (TA) activities, including Type 1 (PPP feasibility studies), Type 2 (support for regulatory improvement) and Type 3 (diversified capacity building activities). All these activities may have environmental and social downstream implications, particularly the development of the feasibility studies for the PPPs considering their subsequent physical investments.

Component 4. Project Management and M&E (\$15m). This component will provide the necessary technical and financial support for the implementation of the project and results measurement. It will include project management, environmental and social risk management, procurement, financial management, monitoring and evaluation, citizen engagement, capacity building for implementing entities and communications. It will include support to prepare and implement of the instruments to manage environmental and social risks related to project implementation, including a grievance redress mechanism. This component will also finance data collection and systems to track project results, including gender analysis, and surveys of MSMEs where relevant.

#### **D. Environmental and Social Overview**

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

The objective of the project is to increase private investment and resilient growth of micro, small and medium enterprises in non-oil value chains, particularly in the Lobito Corridor. Of the main economic corridors connecting Angola with regional trading partners, the Lobito Corridor was selected as the one presenting existing endowments (geographic, infrastructure and human capital) and potential to generate investment and jobs in sectors with diversification potential (outside of Luanda). Project activities focused on developing productive infrastructure through PPPs and making Government to Business (G2B) services available will be concentrated in the four provinces of the Lobito corridor: Benguela, Huambo, Bie and Moxico. Other project activities to improve the regulatory environment, access to finance and firm capabilities will give priority to those provinces, but not be limited to them. Improvements to border posts will focus on Luvo and Luau. While Luvo is not in the Lobito corridor, it is the main gateway for exports of Angolan agriculture and industrial goods to DRC (accounting for two thirds of exports), including those produced in Lobito corridor provinces. It is known that the Caala Logistics Platform in Huambo Province and the development of the Catumbela Industrial Development Pole in Benguela Province are two preliminary "first mover" PPP Transactions that may be supported under the project.

Several activities planned under Components 1 to 3 are expected to generate adverse E&S risks and impacts and are relevant to the ESSs analysis. Such activities include (i) the construction works planned under Components 1 and 2 to rehabilitate/refurbish existing infrastructure and buildings (small-scale works) and to build last-mile infrastructure in the Lobito corridor (medium-scale works), (ii) the activities/subprojects that might be financed under Subcomponent 3(b) to improve growth, productivity, and market access for MSMEs in any sector of activity (activities/subprojects with have potentially high adverse E&S risks and impacts will be excluded), and (iii) the TA activities (including PPP feasibility studies, support for regulatory improvement and diversified capacity building activities) that will be financed across Components 1 to 3.



Angola's forest resources cover 60% of its total area (equivalent to 156,909 km<sup>2</sup>) but are reducing rapidly due to deforestation, contributing to climate change and significantly impacting soil erosion and water loss. Angola hosts some of the richest biodiversity in the continent, including several endangered species, such as the giant sable, and a diversity of ecosystems.

The Lobito corridor constitutes a mega transect that intersects several vegetation units that form the floristic mosaic of Angola. A notable feature in any of the vegetation areas and units that occur along the corridor are the large areas of eucalyptus and pine introduced mainly in the provinces of Huambo and Bié, which in the past served as raw material for the paper industry and also constituted the wood fuel for old locomotives. Today, many of these areas are naturalized and are a striking feature of the landscape along the corridor. Some areas in the four provinces crossed by the corridor are of environmental interest. Some of these areas are integrated in the formal network of national protected areas (which now covers 13% of the country, equivalent to 156,909 km<sup>2</sup>) or have been proposed for future inclusion, while others are designated areas of environmental interest. Three of the four provinces crossed by the Lobito corridor include areas relevant for environmental conservation: Parque Nacional da Cameia (14,450 km<sup>2</sup>, Lumege Cameia municipality, Moxico), Reserva Natural Integral de Luando (8,280 km<sup>2</sup>, located in the north of Bié province), Reserva Parcial de Búfalo (400 km<sup>2</sup>, located in Benguela province) and Parque Regional de Chimalavera (150 km<sup>2</sup>, located south of the city of Benguela). From the twenty-three Important Bird and Biodiversity Areas (IBAs) identified in Angola, two assume more relevance for the project due to their proximity to Lobito Corridor: Mount Moco (IBA located in Huambo and known for its rich and rare bird life; the corridor crosses the mountains about 30 km south) and Cutato (located in the provinces of Huambo, Huíla and Bié, which according to old records presents a rich ornithological diversity). To ensure that the activities financed by the project will not affect areas of relevant biodiversity value, the project exclusion list will include any subproject located in such areas, namely critical habitats and legally national protected and internationally recognized areas of high biodiversity value.

Climate change poses a serious threat to Angola's economy and its population. The areas where the project is likely to intervene in the Lobito corridor, include provinces with a high number of agriculture households such as Huambo and Bie, which have been identified in the Country Climate Development Report (CCDR) as having high levels of vulnerability to climate and poverty shocks. Moreover, productive infrastructure and firms in industry and services in urban centers along the Lobito corridor can be affected by climate impacts affecting water availability, storms, and floods.

Angola is highly urbanized, with 67 % of people living in cities and 27 % in the capital, Luanda. The incidence of poverty rates (national poverty line) is almost three times higher in rural areas (54.7%) than in urban areas (17.8%). Some of the provinces where the project activities will concentrate, namely Benguela, Huambo e Moxico, present high poverty rates. Angola's economy does not create enough jobs for a growing and young workforce, and informal and unskilled employment is high. Over half of working Angolans (52 %) are self-employed, and another 10 % work for family members. About 27 % are privately employed, and another 11% work for the public sector. The recent business census results seem to confirm the small role of private firms in employment creation: about 81,000 firms in the database employ around 460,000 workers, just 4 % of the employed Angolan population of about 9 million.

The four provinces in Lobito corridor are important agriculture production areas, with existing value chains in various crops, such as cereals (maize, soybeans, wheat, and rice), tubers, beans, vegetables and fruits. Benguela, and to a less extent Huambo, are also home to an emerging agroindustry serving the domestic market. In addition to agribusiness,



other industries include mining, cement, followed by some production of detergents, paper products and wood. Other sectors with some export activity include fisheries and construction materials.

The project dedicates special attention to addressing the specific constraints of women-owned/led MSMEs, is aligned with the World Bank Gender Strategy’s objectives of closing gender gaps in quality jobs, ownership and control of assets, and women’s voice and agency, and is on track to receive the gender tag. Angola has relatively high female labor force participation (74 percent vs. 79 percent for men), but the quality of women’s employment is significantly lower. Compared to men, women have less paid employment (18 percent vs. 31 percent) and earn half as much. Also, women work in more informal jobs with poor working conditions. Women-specific challenges to labor market participation, coupled with lower levels of education, restrict labor market opportunities and earnings early in their lives and contribute to higher levels of poverty. Access to economic opportunities for women is constrained by informal institutions and norms and gender-based violence is pervasive. Women are underrepresented in the private sector, tend to own smaller firms, and are more likely to be less productive. There is also a significant gender gap in financial inclusion.

#### D. 2. Borrower’s Institutional Capacity

The Ministry of Economy and Planning (MEP) will be the government agency responsible for implementing the project with full fiduciary responsibility. To carry out its responsibilities and effectively implement the project, the Ministry will work with several entities, including the National Trade Facilitation Committee (NTFC), Institute for Administrative Modernization (IMA), Ministry of Justice and Human Rights (MINJUSDH), Ministry of Industry and Commerce (MINDCOM), Regulatory Agency for the Certification of Cargoes and Logistics of Angola (ARCCLA), National Institute for Support to Micro, Small, and Medium Enterprises (INAPEM), Credit Guarantee Fund (FGC), and the provincial governments in the Lobito corridor. To ensure ownership and implementation progress, the project components are aligned with MEP’s priorities and structure and with these entities’ policies and programs, and will be laid out in an annual work plan (AWP). High-level strategic direction and coordination will be conducted by regular progress reports submitted by MEP to the Minister of State for Economic Coordination, who chairs the government’s Economic Team.. MEP’s National Director responsible for the economy, competitiveness, and innovation will act as the Project Director.

Under MEP’s overall coordination, implementation will involve specific entities per component and coordination of activities among stakeholders will require dedicated arrangements. The NTFC will be the coordinating entity for trade facilitation activities under Component 1. A dedicated task force will be created for Component 2 support to productive infrastructure subprojects, under the coordination of the National Directorate of Public Private Partnerships (DNPPP) and with representatives from ARCCLA, MINDCOM/ Institute of Industrial Development (IDIA), provincial governments, and focal points from line ministries and entities responsible for public works, energy and water, transport. The National Institute for Support to Micro, Small, and Medium Enterprises (INAPEM) will be the technical entity implementing support for firm’s capabilities under Subcomponent 3(a), with fiduciary support from MEP, while the FGC will implement the CGS under Subcomponent 3(b) and have the fiduciary responsibility over the loan proceeds for capitalization of the scheme.

MEP will establish a project implementation unit (PIU) responsible for the day-to-day project management and coordination of stakeholders. This includes responsibilities for procurement, financial management, environmental and social risk management, reporting, communications and citizen engagement, and monitoring and evaluation. The PIU will have one full-time coordinator, who will report to the Project Director, and technical and fiduciary experts, including a procurement specialist, an accountant, a financial management specialist, an environmental specialist, and a social specialist. In April 2023, MEP intends to launch recruitment processes for all the PIU’s main specialists,



including the environmental specialist and the social Specialist; these recruitment processes are expected to be concluded by the end of June 2023. MEP prepared detailed Terms of Reference (ToR) for recruiting these specialists describing the experience and qualifications required, which were reviewed and accepted by the Bank. Notwithstanding the hiring of these two E&S specialists, a preliminary analysis carried out by the Bank to determine the PIU's staffing needs indicated that they would be insufficient to oversee the implementation of ESF requirements applicable to the Project, considering the diversity of activities financed and their geographic dispersion across the Lobito Corridor. Based on these results, MEP shall hire more staff to support the work done by the two E&S specialists above-mentioned. With this aim, four Technical Assistants, two environmental and two social, shall be hired no later than three months after the Effective Date based on ToR acceptable to the Bank. The decision on the number, qualifications/experience and hiring timeline of other E&S resources required in addition to the ones already mentioned shall be informed by a comprehensive capacity needs assessment to be carried out for the PIU no later than three months after the Effective Date. The hiring of those resources shall be based on TORs acceptable to the Bank.

MEP has experience coordinating the implementation of multi-sector projects involving many institutional and non-government actors at the national and sub-national levels. For this project dedicated arrangements were planned to ensure MEP's effective overall coordination of activities among the stakeholders involved in the project's implementation. At the technical level, the PIU will promote coordination through the appointment of technical focal points in the institutions involved in each project activity and monthly reporting of implementation progress. In the four provinces of the Lobito Corridor, PIU representatives will integrate the economic development integrated cabinets (GPDEIs) in the provincial governments to facilitate coordination and engagement of local private sector and other stakeholders.

Additionally, MEP has experience implementing projects financed by other development partners, having previously managed an African Development Bank-funded project. However, this project will be MEP's first experience with a World Bank-financed project and implementing an operation under the Bank's Environmental and Social Framework (ESF), presenting limited capacity to identify project-related E&S risks and impacts and to manage them in a manner consistent with the ESF. The development and strengthening of MEP's capacity will require in-depth training on ESF throughout the project implementation and close and regular support from the Bank's E&S Team. Funding will be allocated under the project to hire experienced and qualified Consultants to conduct a comprehensive assessment of the capacity needs of the PIU and other entities involved in project implementation per component to implement the project in a manner materially consistent with ESF objectives. This assessment shall be embedded in a capacity-building plan covering relevant ESF requirements. The hiring of these Consultants shall be based on TORs acceptable to the Bank.

Regarding the Financial Intermediaries, FGC has experience working with the World Bank under the Commercial Agriculture Development Project (P159052), which was prepared and is being implemented according to the Operational Policies. However, this project will be FGC's first experience with an operation under the Bank's ESF. During project preparation, the Bank carried out a capacity assessment of FGC, using the IFC's Environmental and Social Management System (ESMS) Diagnostic Tool for FIs (<https://www.ifcesmsdiagnostic.org/>), aiming to identify within the FGC structure the elements required for an ESMS and assess their adequacy to ESS9 requirements. The outcomes of this exercise indicated that FGC presents limited capacity to identify project-related E&S risks and impacts and to manage them in a manner consistent with the ESF and needs to develop some missing ESMS elements while strengthening existing ones. To address these gaps, FGC will hire external experts to support developing and





implementing their ESMS and environmental and social specialists to integrate the FGC team. Other potential participating financial institutions (PFIs) under the CGS were identified during the project preparation, but their E&S capacity was not assessed. Although some of them have previous experience working with operations financed by the World Bank Group, especially IFC and other donors, it is anticipated that their experience with operations prepared under the ESF is minimal, if not inexistent. All PFIs will be selected based on illegibility criteria that comprise, among others, their capacity to identify and manage the E&S risks and impacts of the subprojects supported by them in a manner materially consistent with ESF objectives. All of them will be assessed using the IFC’s ESMS Diagnostic Tool for FIs.

At the provincial level, the Provincial Governments will support the Project implementation with close collaboration from the Municipal Administrations. Project implementation at this level will require close attention and continued technical assistance and capacity building. At these levels, the E&S risk assessment and management is extremely limited, resulting in relevant challenges to ensure the activities conducted by provincial and municipal entities are implemented in a manner materially consistent with ESF objectives. This weak implementation capacity shall be addressed through an adequate, in-depth and focused capacity-building plan for the provincial and municipal staff involved in the project implementation.

The Government of Angola has a legal and regulatory framework for environmental and social issues. However, it does not have specific environmental regulations for MSMEs. The environmental impact assessment legislation approved in April 2020 details the type of activities subject to the environmental impact assessment process per category, including MSMEs for different activity sectors.

**II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS**

**A. Environmental and Social Risk Classification (ESRC)**

Substantial

**Environmental Risk Rating**

Substantial

The project's environmental risk classification is currently rated as Substantial. This rating results from the combination of i) the low to substantial adverse environmental risks and impacts potentially generated by the multiple activities financed by the project, ranging from construction works planned under Components 1 and 2 to impacts related to the operation of MSMEs and TA activities, coupled with ii) the implementing agency’s absence of prior experience in environmental management in line with the requirements set out under the ESF. Under Components 1 and 2, the project will finance works to rehabilitate/refurbish existing infrastructure and buildings and to build last-mile infrastructure in brown and greenfield areas in the Lobito Corridor to support the improvement of productive infrastructure (LPs and IDPs). These works are expected to generate moderate to substantial adverse environmental risks and impacts, including soil and water resources pollution, dust and noise emissions, generation of hazardous and non-hazardous waste, loss of vegetation and habitats and fauna, and occupational and community health and safety risks. These risks and impacts will be primarily site-specific (focusing on the areas interfered with by civil works), temporary, reversible and manageable through cost-effective mitigation measures. Support to MSMEs provided through the CGS planned under Subcomponent 3(b) may also generate potential adverse direct and indirect environmental risks and impacts related to the operation of MSMEs. For some sectors, the MSMEs operation can generate environmental risks and impacts related to upstream primary suppliers' activities. This is particularly relevant for sectors involving agricultural or forestry supply chains, where primary suppliers may not comply with

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relevant ESSs requirements, namely ESS2 and ESS6. The potential risks and impacts resulting from the MSMEs subprojects will be assessed and managed through clearly defined screening and management procedures proportionate to the expected risks and impacts, established as part of the ESMS of each PFIs, which will also include mechanisms to monitor and report on the performance of the subprojects. The E&S capacity of all PFIs will be assessed using the IFC’s ESMS Diagnostic Tool for FIs; the outcomes of such assessment will inform the development and/or strengthening of their ESMSs, which shall follow a common structure using the IFC ESMS Implementation Handbook as a benchmark. The TA activities financed under the project's components may have downstream risks and impacts, which may be particularly relevant for the physical investments resulting from the PPPs feasibility studies. The anticipated downstream environmental risks of the TA activities are expected to range from low to substantial, depending on the type of TA provided, and to be manageable through ToR developed for those activities ensuring that relevant issues are considered in conducting the activities in a manner consistent with the ESF. The project will not finance any activities or subprojects with high environmental risks or located in environmentally sensitive areas, such as critical habitats or legally national protected and internationally recognized areas of high biodiversity value. With this aim, all activities and subprojects will be screened against an exclusion list and using criteria excluding high-risk activities or subprojects. The screening results will be contingent upon the Client's capacity to do so in a manner materially consistent with the ESF objectives. MEP's lack of experience with World Bank-funded projects and the ESF implementation poses a significant challenge that will be addressed and mitigated through adequate capacity building and strengthening throughout project implementation. However, during project implementation, the Bank may need to reevaluate the rating now attributed if the PIU's capacity and performance does not evolve and meet the required levels

**Social Risk Rating**

Substantial

The social risk is rated as Substantial. This is based on the project’s anticipated interventions under Component 1 (strengthening the regulatory and institutional environment for private investment), Component 2 (improvements on catalytic investments and in productive infrastructure and quality) and Component 3 (measures to promote growth of MSMEs and financial access). Although the social and economic impacts of the envisaged project interventions are expected to be highly positive overall, it is anticipated that there will be social risks relating to access to economic opportunities and financing for start-up and/or development of MSMEs by vulnerable individuals and/or groups under Components 1 and 3 and temporary or permanent impacts of civil works under Component 2 (including possible physical and/or economic displacement). Under Component 3, potential social risks are related to the distribution of project benefits and social inclusion issues, which risks may be mitigated under Component 1, through the strengthening of the institutional environment to support MSMEs and to address specific needs of the vulnerable and disadvantaged groups. The social risk assessment will address the downstream effects of three types of activities: TA, localized investments, and promotion of access to finance by MSMEs. Regarding TA activities, which are cross-cutting in the three components of the project, under Component 1 an assessment of land tenure regularization has been conducted, with particular attention to the constraints faced by women to access formal documentation of land use rights and to formalize economic activities (the intersectoral approach anticipated by the project with MEP and MINJUST involvement, will address mitigation measures for social exclusion risks) and through the simplification of administrative processes to facilitate the access to credit by the vulnerable groups identified; under Component 2 issues related to labor and working conditions (e.g., risk of child labor), labor influx, and SEA/SH, and ensuring compensation measures and benefits resulting from loss of assets along the hub corridors that will be improved, including the participation of vulnerable individual entrepreneurs and/or groups in the development of appropriate compensation measures; and under Component 3, TA will include harmonized approaches and mitigation measures with related Bank-financed projects such as the Commercial Agriculture and Development Project (P159052) to

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mitigate different impacts and enhance benefits resulting from programs that may impact the same population and geographic areas. Under Components 1 and 3, localized investments and access to finance enhanced by the project, involving risks related to the success of the beneficiary MSMEs, may affect the confidence of the investors and credit programs. Under Component 3, potential social risks may be related to the inclusion of vulnerable groups (notably women because they are underrepresented in formal economic sectors, as well as migrant or refugee entrepreneurs, or women with no formal documentation for their economic activities) and the distribution of project benefits. Mitigation measures will focus on the approaches that will be taken to ensure the access of vulnerable and disadvantaged groups with formal or informal economic activities financed by the project to overcome possible barriers to the formalization of their economic activities.

## B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

### B.1. General Assessment

#### ESS1 Assessment and Management of Environmental and Social Risks and Impacts

##### **Overview of the relevance of the Standard for the Project:**

The Project will finance civil works under Component 1 and 2 to (i) rehabilitate existing infrastructure at key border posts crossings of Luvo and Luau (buildings and space for inspections, internet/power supply), (ii) refurbish office spaces (e.g., partitions, painting, window repairs) for government services relevant for business entry and operations and dedicated to back-office tasks and customer service areas, and (iii) build last-mile infrastructure (e.g. land preparation and development, rehabilitation of access roads, sewerage systems, power distribution lines, water supply lines, buildings, rail landings, perimeter walls, central effluent treatment, power supply, and water purification) in brown and greenfield areas in the Lobito Corridor to support the improvement of productive infrastructure (being Caala Logistics Platform and Catumbela Industrial Development Pole the “first mover” PPP transactions that may be supported by the project depending on the results of the feasibility studies that will be conducted for these PPPs as part of the project). Key adverse environmental and social risks and impacts generated from such works are mainly related to i) soil erosion and pollution, ii) water resources pollution, iii) dust and noise emissions, iv) generation of hazardous and non-hazardous waste, v) loss of vegetation and habitats, vi) loss of fauna, vii) labor and working conditions of the contracted workers, viii) occupational health and safety, ix) labor influx related issues, x) sexual exploitation and abuse and sexual harassment, xi) community health and safety (mainly related to construction-induced traffic), xii) temporary or permanent physical or economic displacement; and xiii) issues related to the distribution of project benefits and social inclusion (including limited access of women and other vulnerable groups to employment opportunities directly or indirectly generated by the works). These risks and impacts are expected to be primarily site-specific, focusing on the areas interfered with by civil works, temporary, reversible and manageable through cost-effective mitigation measures.

Support provided through the CGS planned under Subcomponent 3(b) for strengthening MSMEs participation in value chains has the potential to stimulate economic development but may also generate potential adverse direct and indirect environmental and social risks and impacts related to the operation of MSMEs. For some sectors, the upstream activities of primary suppliers often have relevant issues, such child labor, forced labor and OHS related risks. This is particularly relevant for sectors involving agricultural or forestry supply chains.



Components 1 to 3 will finance several TA activities, including Type 1 (PPP feasibility studies), Type 2 (support for regulatory improvement) and Type 3 (diversified capacity building activities). All these activities may have environmental and social downstream implications This is particularly relevant in the case of the physical investments resulting from the PPPs feasibility studies financed under Component 2. The anticipated downstream environmental risks of the TA activities are expected to range from low to substantial, depending on the type of TA provided, and to be manageable through ToR developed for those activities that ensure that relevant environmental issues are taken into account in conducting the activities in a manner consistent with the ESF.

During the implementation of the project, the E&S risks and impacts related to infrastructure investments and grant funding to MSMEs will be managed in accordance with the Environmental and Social Management Framework (ESMF) prepared for the project. Prior to Appraisal the Borrower prepared a draft ESMF preliminarily (a) identifying the project’s main E&S risks and impacts, focusing on the direct ones, (b) defining relevant mitigation and monitoring measures to address such risks and impacts and (c) establishing a screening procedure for assessing and classifying risks and impacts at subproject level. Furthermore, the draft ESMF i) provides baseline information covering the provinces crossed by Lobito corridor, ii) describes the institutional arrangements set out for the project and regarding E&S management, assessing the capacity of the institutions involved in the implementation of the Project (this assessment will be further developed in the initial stage of project implementation and no later than three months after the Effective Date, with the support of qualified and experience Consultants hired based on TORs acceptable to the Bank), (iii) defines a capacity-building plan for the parties involved in the project implementation based on the preliminary capacity needs assessment carried out, (iv) briefly describes stakeholder consultation requirements, but without presenting the results of the consultations held so far, (v) defines generic guidelines and requirements for the development of the project GRM, and (vi) presents an estimative budget for the implementation of the ESMF. The draft version of the ESMF will be disclosed by the Bank at Appraisal. The ESMF shall be finalized, consulted upon and disclosed no later than two months after Project Approval by the Bank. When finalized, the ESMF will provide guidance for the preparation of (i) subproject level (site-specific) environmental and social impact assessments (ESIAs) and corresponding Environmental and Social Management Plans (ESMPs), as applicable, considering the national legislation and in a manner materially consistent with the ESF and (ii) Contractor's ESMPs (C-ESMPs). The final ESMF will also analyze the anticipated E&S implications of the TA activities planned under the project, particularly the PPP feasibility studies. The PIU will develop TORs for all TA activities, consistent with the ESSs, and submit them to the World Bank’s approval before launching the procurement processes for such activities, ensuring thereafter that the outputs of such TA activities comply with the terms of reference approved by the Bank. Outcomes of the final ESMF will determine whether a Cumulative Impact Assessment will be prepared during project implementation, to assess the potential risks and impacts of the project when added to impacts from other developments in the project area, following the IFC Good Practice Handbook on Cumulative Impact Assessment and Management.

The E&S risks and impacts related to the implementation of the CGS planned under Subcomponent 3(b) will be managed through the development and implementation of ESMSs for FGC and any other PFIs involved in the Project, as detailed ahead under ESS9. These ESMSs shall be developed, reviewed and validated by the Bank, and implemented before carrying out screening of any proposed FI subproject. The development of these ESMSs shall follow a common structure using the IFC ESMS Implementation Handbook as a benchmark to ensure consistency in approaching and managing E&S risks and impacts amongst the various PFIs. All FI subprojects will be screened against



an exclusion list set out in the ESMF and the Project Operations Manual, mirrored in an exclusion list to be included in the PFIs ESMSs, and criteria that will exclude any subprojects with potential high adverse E&S risks and impacts.

As for now, associated facilities have not yet been identified as part of this project. However, if any associated facility is identified during project preparation or implementation, an assessment of its potential E&S risks and impacts will be carried out in the relevant E&S instruments to be prepared by the project.

Draft Labor Management Procedures (LMP) have been prepared by the Borrower and will be disclosed in-country and by the Bank at Appraisal. The final version of the LMP shall be completed and disclosed no later than two months after Project Approval by the Bank. These procedures identify the potential risks and impacts related to employment and working conditions and OHS of the all project workers and defines the measures to manage such risks and impacts in a manner consistent with ESS2. The LMP also includes a worker Grievance Mechanism (GM).

Considering the anticipated significant risks and impacts of the project related to land acquisition and involuntary resettlement, the Borrower prepared a draft Resettlement Planning Framework (RPF) which will be disclosed in-country and by the Bank at Appraisal. The final version of the RPF shall be completed and disclosed no later than two months after Project Approval by the Bank. This RPF outlines appropriate measures to mitigate, or compensate for, physical and economic displacement impacts, and the final version shall include an exclusion list for sub-projects or activities presenting high risk relating to physical or economic displacement.

An Environmental and Social Commitment Plan (ESCP) setting out the environmental and social commitments for the project has also been developed jointly by the Bank and the Borrower prior to Appraisal.

### **ESS10 Stakeholder Engagement and Information Disclosure**

This standard is relevant for the project as meaningful consultation with and engagement of intended project beneficiaries (in particular, women entrepreneurs), affected communities (including vulnerable groups and households or enterprises affected by physical or economic displacement), as well as other community and institutional stakeholders, is crucial for successful project implementation. During project preparation, the Borrower initiated a stakeholder engagement process and consultations with institutional stakeholders at national and provincial levels, in Luanda and in the four provinces within the Lobito corridor (Benguela, Moxico, Huambo, and Bié) in March-April 2023, and prepared a Stakeholder Engagement Plan (SEP), in accordance with ESS10 requirements. To ensure a participatory approach throughout the Project's life cycle, the Borrower has conducted a detailed identification and analysis of project stakeholders (including government, public services, private sector and civil society organizations, women's organizations, etc.) which is being refined as the consultation process moves forward – with consultations at community level within communities of the Lobito corridor commencing in April 2023. The SEP will be updated and disclosed no later than two months after Project Approval by the Bank, and will be further updated as needed throughout the project cycle.

The SEP contains summary and analysis of issues identified by project stakeholders, including needs of and constraints faced by micro- and small enterprises, access to credit, limited services available in remote/rural areas, uneven regional development, population growth and occupation of areas designated for industrial development, the state of roads infrastructure and access to markets for agricultural products, limited product processing



infrastructure, unemployment, limited human resources, limited internet connectivity, limited water access, presence of land mines in areas with potential for industrial or agricultural expansion, prevalence of GBV and teenage pregnancies and child labor. The involvement of financial intermediaries (FIs) in the implementation of the project implies a need for stakeholder engagement activities to be conducted with and by FIs. Therefore, the updated SEP which will be disclosed no later than two months after Project approval by the Bank shall clearly identify all the FI stakeholders and contain a strategy and plan for dissemination of project information and engagement of stakeholders affected by the FI activities financed under Subcomponent 3(b).

Through a participatory and inclusive consultation process, the project will consider the needs of vulnerable and disadvantaged persons (for example, migrants, refugees, persons with disabilities, and the elderly), the need to ensure social inclusion, worker and community safety risks, and measures to enable stakeholders' effective engagement and participation in the project – including provisions for the effective management of concerns or grievances presented by members of affected communities, as well as the involvement of specific public services to build gender sensitive solutions to promote the formalization of women's titles and land use rights (economic activity formalization, land registration).

The communication, information-disclosure, and engagement approaches of the project detailed within the SEP will be adapted for the stakeholder engagement and consultation activities of the distinct phases of the project cycle. Consultations and focus groups with women groups will be also organized to ensure no gender bias that may constraint individual expression of women's concerns related to the project. According to the SEP, specificities of other vulnerable groups, such as persons with disabilities will be also addressed with specific approaches to ensure the involvement of all stakeholders identified in the SEP throughout the life-cycle of the project. A grievance mechanism (GM) is described in the SEP to manage grievances by project-affected people regarding temporary or permanent adverse project impacts and include multiple grievance uptake channels, with a specific protocol to address SEA/SH cases related to the project. As outlined in LMP, project workers will also have access to a GM. The project will ensure the representativeness of women as GM focal points for grievance uptake, to avoid any gender barriers to access the GM. The project GM shall include specific channels and procedures to address risks relating to sexual exploitation and abuse/sexual harassment (SEA/SH).

## **B.2. Specific Risks and Impacts**

**A brief description of the potential environmental and social risks and impacts relevant to the Project.**

### **ESS2 Labor and Working Conditions**

ESS2 is considered relevant to this project. The project will involve direct workers, contract workers and primary supply workers; some of these workers may be migrants (national and international). Information on the expected number of project workers is not yet available. Key risks involving the project workforce may include: (i) unsatisfactory working conditions not compliant with ESS2 and national labor legislation, (ii) discrimination in recruitment or selection for career advancement opportunities based on gender, disability, or minority status, (iii) labor influx, (iv) SEA/SH occurrences, (v) child or forced labor, and (vi) Occupational Health and Safety (OHS) risks.

To ensure fair labor and working conditions and the health and safety of workers during the construction and operation phases of the project, draft Labor Management Procedures (LMP) were developed as a standalone



document by the Borrower and will be disclosed at Appraisal. An updated and complete version will be consulted on, approved and disclosed no later than two months after Project Approval by the Bank. The LMP identifies the potential risks related to the foreseen activities, defines the measures required to adequately address the risks above-mentioned, such as the inclusion of terms of employment and working conditions procedures in the C-ESMPs, adoption of a Code of Conduct (CoC) for workers, training and awareness raising especially on SEA/SH, age verification procedures and inclusion of measures related to SEA/SH risk mitigation in C-ESMP. The LMP outlines OHS measures (including emergency preparedness and response measures) that take into account the Bank's General Environment, Health and Safety Guidelines (EHSGs). In addition, spread of COVID -19 infection during construction, workshops and trainings is another risk that is addressed through the development of a COVID-19 protocol for each project activity, following ESMF guidelines. The LMP outlines a grievance mechanism (GM) for project workers, which shall be operationalized prior to the implementation of project activities, drawing on national labor law and in line with ESS2.

Contracts for all workers will include a CoC specifically designed to prevent, inter alia, instances of SEA/SH. Should the hiring of workers from outside the local areas of project interventions be required, worker influx and accommodation will need to be managed in line with ESS2 and ESS4.

To ensure the health and safety of workers during the construction and operational phases of the project, a Health, Safety, and Environmental (HSE) plan in line with Good International Industry Practice (GIIP) will need to be prepared for all subproject level activities as part of the ESMPs and it will form part of contractors' and service providers obligations. The draft ESMF includes measures for the identification and mitigation of project OHS risks associated with the construction, rehabilitation, operation and maintenance aspects to be financed under Components 1 and 2, consistent with the Good International Industry Practices (GIIP) and the WBG General EHSGs. The outline of the ESMPs shall be included in the final ESMF to be ready by Board Approval, and it shall also include procedures to mitigate COVID-19 spread to workers, including investigation, reporting of incidences and non-compliance, and emergency preparedness and response procedures, continuous training and awareness to workers.

### **ESS3 Resource Efficiency and Pollution Prevention and Management**

ESS3 is considered relevant for this project. Project activities under Components 1, 2 and 3 have the potential to stimulate economic investments that may generate air, water, or land pollution, waste generated, noise and vibrations during civil works and operations of MSMEs supported by grant funding. Other risks and impacts are related with natural resources to be used for the construction and operation of project supported works. The ESMF identifies civil works from the construction / rehabilitation / development activities likely to cause pollution related to: (i) oil and fuel spills from construction and maintenance vehicles and equipment such as generators and machinery; (ii) dust and vehicle emissions, noise, and vibrations from construction vehicles, (iii) storage and use of hazardous substances during construction, and (iv) management of hazardous and non-hazardous construction waste (including waste generated by the removal of asbestos-containing materials (ACM) from rehabilitation/refurbishment of buildings). As provided in the draft ESMF, the project shall adopt measures specified in the Environmental, Health and Safety Guidelines (EHSGs) through the subproject instruments, such as site-specific ESIA/ESMPs. To address the potential adverse risks and impacts related to the removal of ACM, the site-specific ESMPs prepared for the rehabilitation/refurbishment of buildings will include an Asbestos Management Plan in line with the measures defined in the Bank EHSGs and the Good Practice Guidance on the Management and Control of Asbestos published



by the Asian Development Bank on March 2022 (<https://www.adb.org/sites/default/files/publication/783636/good-practice-management-control-asbestos.pdf>).

Use of natural resources: the use of energy, water and raw materials will be relevant for civil works related to the rehabilitation and construction of productive infrastructure and border posts. In addition, the operation of project supported works including of productive infrastructure (e.g. industrial poles, logistics platforms, etc.) and MSMEs operations could require a high use of energy and water, however at this stage there is no information available to enable an estimative of the expected project inputs. Borrower, through the ESMF adopts measures, to the extent technically and financially feasible, that avoid or minimize water usage so that the project's water use does not have significant adverse impacts on communities, other users and the environment. To reduce the likelihood of any negative impact, the ESMF presents technically and financially feasible measures to improve efficient energy, water, and raw material consumption. As for the raw materials that will be used by the project, they will potentially include stones, sand, concrete blocks, and timber. The project ensures that all these materials are obtained from legally established quarries and certified suppliers, without any risk of conflict.

Pollution prevention and control: Increased economic activities are also likely to result in waste generation by MSMEs as a result of production enhancement. For MSMEs that are the recipient of grant funds, the ESMF includes appropriate measures to prevent and control pollution. It also outlines waste management protocols for the safe storage, removal, and disposal of waste. These measures will be detailed in ESMPs to be prepared later, as necessary. Since the design is not yet known, the water, construction material and energy needed for the project is not yet known and is not anticipated to be of a significant scale. Notwithstanding, proposed project investments are expected to generate low GHG emissions. Noise impacts are expected due to the rehabilitation and construction of infrastructure and border posts and operation of works supported by the project, which could represent a nuisance for the surrounding communities. However, the ESMF includes mitigation measures to minimize and manage acceptable noise levels from MSMEs selected to be part of the project. These measures will be detailed in ESMPs to be prepared later, as necessary.

Use of pesticides: Currently, it is unclear if the project will support agricultural production subprojects. If such occurs, and the use of substantial quantities of pesticides is envisaged, a Pesticide Management Plan will be prepared by the Borrower and submitted for Bank approval.

The final ESMF will identify all risks/impacts for projects activities under Components 1, 2 and 3 and standardized measures to address risks associated to ESS3. It will include standard operating procedures and good construction management practices, include those proposed in WBG Environmental and Health Safety Guidelines (EHSGs), which will be included in the ESMPs.

TA activities and their possible downstream effects will be appraised to achieve the objectives of ESS3. The ToRs, work plans or other documents defining the scope and outputs of technical assistance activities will be drafted so that the advice and other support provided is consistent with ESS3.

#### **ESS4 Community Health and Safety**





ESS4 is considered relevant to the Project. The Project is required to include assessments of risks and impacts of project activities to health and safety in project affected communities in all phases of the project cycle. Risks and impacts could relate to the design and safety of infrastructure, traffic, and road safety (particularly during construction), or community exposure to nuisance and public health issues. These risks are mainly associated with civil works activities under Component 2 and also under Component 1.

These activities may also result in the presence of outside workers and/ or influx of opportunistic migrants and contractors from outside the community which may result in conflict situations and potential health issues, so as in situations of involuntary displacement processes and/or loss of economic/subsistence activities as a mean of intimidation to forced displacement of vulnerable individuals and/or groups. Influx of workers, including contracted workers or job seekers, could add to the potential introduction and spread of communicable diseases and COVID-19 within the community if not suitably managed. Labor influx has the potential to result in impacts to community health or safety, including instances of sexual exploitation and abuse/sexual harassment (SEA/SH). The ESMF includes an assessment of work related health risks; excessive noise and dust levels, site safety awareness and access restrictions; all these issues were included in the ESMF.

TA activities and their possible downstream effects will be appraised to achieve the objectives of ESS4. The ToRs, work plans or other documents defining the scope and outputs of TA activities will be drafted so that the advice and other support provided is consistent with ESS4.

As noted above, the ESMF contains a description of potential SEA/SH risks, the prevention and mitigation measures that will be implemented, – with codes of conduct to be signed by all project workers and contractors, and specific procedures to address any SEA/SH grievances as outlined in the project’s grievance redress mechanism (GM).

Currently, it is unclear if the project will engage security personnel to safeguard project workers, sites, assets, and activities. If such occurs, the potential security risks for communities will be assessed, and a Security Management Plan shall be developed by the Borrower and submitted to the Bank’s review prior to engaging any security personnel. The developments of such a plan shall be guided by the principles of proportionality and GIIP, and by applicable law, in relation to hiring, rules of conduct, training, equipping, and monitoring of such personnel.

### **ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement**

ESS5 is relevant. The catalytic investments envisaged under Component 2 – e.g., in industrial hubs and logistics platforms, last-mile infrastructure interventions such as road rehabilitation, energy and water interconnections, power distribution lines, sewerage systems – have potential to result in significant economic or physical displacement impacts, including restrictions on land use or access to natural resources in specific community locations. It is understood that in some areas within the perimeters designated for industrial development poles there are informal settlements as well as subsistence agriculture activities; the precise locations within the perimeters which will be required for development are not yet known (although it is anticipated that interventions will only require partial use of the designated perimeters), therefore the displacement impacts which activities financed by the project may have are not yet quantified. Issues relating to the informal occupants and economic activities present within the areas designated for Industrial Development Poles were raised during consultations, and it is anticipated that displacement of such communities could generate social conflict if not adequately managed.



Where relocation from agricultural areas takes place, the identification of replacement land suitable for agriculture and cleared of land mines will be critical.

A draft Resettlement Planning Framework (RPF) was prepared and will be disclosed at Appraisal. An updated and complete version will be finalised, approved and disclosed no later than two months after Project Approval by the Bank. The final version shall include an exclusion list for sub-projects or activities presenting high risk relating to physical or economic displacement (i.e., high magnitude/large number of PAPs, disruption of livelihoods).

The RPF outlines measures to mitigate social (physical and economic displacement) impacts, including a compensation framework to address both economic and physical displacement. An assessment shall be made of any land acquisition or land-take in associated facilities as well as of possible legacy issues relating to previous relocation of informal settlers or economic activities such as subsistence agriculture within the areas of intervention of the project. In areas where any resettlement previously occurred, it will be necessary to assess the adequacy of compensation offered as well as signed agreements with affected persons.

The Borrower will ensure that project-affected people are duly identified and included in consultation processes relating to any land acquisition or land-use restrictions to mitigate adverse social impacts of the project and to develop adequate compensation mechanisms for people and businesses affected by physical or economic displacement. Site-specific Resettlement Plans (RPs) will be developed for sub-components/activities of the project once specific areas of intervention are identified and physical or economic displacement impacts confirmed. Particular attention will be given to the constraints faced by women and other vulnerable individuals and groups in the access to formal documentation relating to land use rights and economic activity. Activities involving land acquisition/land-take will be excluded from Subcomponent 3(b) - i.e., the sub-projects receiving financing under this sub-component shall not include activities involving land acquisition or resettlement, as the ability of FIs to implement ESS5 is likely limited.

### **ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources**

ESS6 is considered relevant to the Project at this point. At this stage, it is known that the Caala Logistics Platform in Huambo Province and the development of the Catumbela Industrial Development Pole in Benguela Province, are two preliminary "first mover" PPP Transactions that may be supported under the project. The Lobito corridor constitutes a megatransect that intersects several vegetation units that form the floristic mosaic of Angola. A notable feature in any of the vegetation areas and units that occur along the corridor are the large stands of eucalyptus and pine introduced mainly in the provinces of Huambo and Bié, which in the past served as raw material for the paper industry and also constituted the wood fuel for old locomotives. Today, a large part of these areas are naturalized and are a striking feature of the landscape along the corridor. Some areas in the four provinces crossed by the corridor, are of environmental interest. Some of these areas are integrated in the formal network of national protected areas, or have been proposed for future inclusion, while others are designated areas of environmental interest. Three of the four provinces crossed by Lobito corridor have areas of environmental conservation: Parque Nacional da Cameia, Reserva Natural Integral de Luando, Reserva Parcial de Búfalo and Parque Regional de Chimalavera.



Since the exact locations of the subprojects to be financed are not defined at the current stage it is not possible to assess the potential risks and impacts on biodiversity. However, the project will not finance any activities or subprojects located in environmentally sensitive areas, such as critical habitats or legally national protected and internationally recognized areas of high biodiversity value. With this aim, all activities and subprojects will be screened against an exclusion list and using criteria excluding activities or subprojects that might impact relevant biodiversity values. The ESMF includes criteria and procedures to allow for screening of any sensitive ecosystems and services; and makes provisions for the exclusion of areas of important biodiversity or sensitivities, during subproject site selection, to ensure that the investments are designed and implemented in ways that ensure avoidance of impacts to protected or sensitive areas or critical habitats, if any. Adequate mitigation and E&S risk management measures will be included in site specific ESA instruments and in accordance with ESS6 requirements.

TA activities and their possible downstream effects will be appraised to achieve the objectives of ESS6. The ToRs, work plans or other documents defining the scope and outputs of TA activities will be drafted so that the advice and other support provided is consistent with ESS6.

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

ESS7 is not considered relevant to the Project at this stage, as there are no known groups meeting ESS7 criteria present along the Lobito corridor.

#### **ESS8 Cultural Heritage**

ESS8 is considered relevant. The project will not finance activities that might affect legally protected cultural heritage areas. The project investments include aspects such as site clearing that could have an impact on tangible and intangible cultural heritage features, potentially located within the project footprint. It is known that the Caala Logistics Platform in Huambo Province and the development of the Catumbela Industrial Development Pole in Benguela Province are two preliminary "first mover" PPP Transactions that may be supported under the project. Other locations of the project are not yet known, and the likelihood of occurrence of cultural heritage features are also not known; The ESMF makes provisions to conduct the screening followed by an assessment of potential cultural heritage and management plans, if necessary, in each sub-project and includes a standardized "chance find" procedures. The ESMPs developed for each sub-project will refer to the "Chance find" procedure consistent with ESS8, presented in the ESMF. This procedure will be followed if previously unknown cultural heritage is encountered during project activities.

#### **ESS9 Financial Intermediaries**

Under Subcomponent 3(b), the Project will support MSMEs through the credit guarantee scheme (CGS). The CGS will target viable businesses operating in Angola that lack the finance to explore growth opportunities, focusing on women-led businesses and low-carbon and climate-resilient investments.

The CGS will be managed by FGC, a state-owned credit guarantee fund created in 2012, and follow the World Bank principles for public CGS. The FGC is a legal entity governed by public law, endowed with administrative, financial and patrimonial autonomy, under the oversight of the Ministry of Finance and supervision of the National Bank of Angola



(BNA). During project preparation, the Bank carried out a capacity assessment of FGC, using the IFC’s ESMS Diagnostic Tool for FIs (<https://www.ifcesmsdiagnostic.org/>), aiming to identify within the FGC structure the elements required for an ESMS and assess their adequacy to ESS9 requirements. The outcomes of this exercise indicate that FGC has adequate procedures to manage risks related to employment, working conditions and OHS, except for a GRM for workers, but needs to further develop other aspects required under ESS9 for a FI ESMS, including the definition of an E&S policy for the institution, the establishment of procedures to screen the E&S risks and impacts of the subprojects financed, manage them and report on the performance of the subprojects, and adequate organizational capacity and competency. To address these gaps, FGC will hire external expert to support the development and implementation of their ESMS and environmental and social specialists to integrate the FGC team.

FGC will provide credit guarantees to other PFIs, which will provide financing to MSMEs. Having an ESMS acceptable to the World Bank is a requirement for FIs to participate in the CGS. All PFIs will be selected based on illegibility criteria that comprise, among others, their capacity to identify and manage the E&S risks and impacts of the subprojects supported by them in a manner materially consistent with ESF objectives. All of them will be assessed using the IFC’s ESMS Diagnostic Tool for FIs.

To comply with ESS9 requirements, FGC and other PFIs must develop, maintain, and implement an ESMS to identify, assess, manage, and monitor the environmental and social risks and impacts of any subprojects that receive support from the Project under Subcomponent 3(b). These ESMSs shall be developed, reviewed and validated by the Bank, and implemented before carrying out screening of any proposed FI subprojects and inform the credit awarding decisions. The development of these ESMSs shall follow a common structure using the IFC ESMS Implementation Handbook as a benchmark to ensure consistency in approaching and managing E&S risks and impacts amongst the various PFIs. As per the guidance provided in this Handbook, the ESMSs shall include, inter alia, the following elements: (i) identification of the FI subprojects that may receive support from the Project, (ii) an environmental and social policy endorsed by the FI senior management, (iii) clearly defined procedures for the identification, assessment and management of the environmental and social risks and impacts of FI subprojects, in accordance with ESS9, including, inter alia, stakeholder engagement and disclosure requirements applicable to FI subprojects, (iv) an exclusion list with the FI subprojects that are not eligible for financing (which will be build-on IFC exclusion list, (v) an organizational capacity and competency for implementing the ESMS with clearly defined roles and responsibilities, (vi) monitoring and reporting procedures on the performance of FI subprojects and the effectiveness of the ESMS, (vii) incidents and accidents notification and subsequent reporting requirements acceptable to the Bank, (viii) an external communications mechanism, including measures to respond to public enquiries and concerns in a timely manner.

All FI subprojects will be screened against an exclusion list and criteria that exclude any subprojects with potential high adverse E&S risks and impacts, including impacts related to physical or economic displacement (ESS5). As outlined in ESS9, where FI subprojects are likely to have low or moderate adverse risks and impacts, the FI will apply national laws. For substantial risk subprojects, the FIs shall apply ESF requirements.

**C. Legal Operational Policies that Apply**

**OP 7.50 Projects on International Waterways**

No

Public Disclosure



**OP 7.60 Projects in Disputed Areas**

No

**B.3. Reliance on Borrower’s policy, legal and institutional framework, relevant to the Project risks and impacts**

**Is this project being prepared for use of Borrower Framework?**

No

**Areas where “Use of Borrower Framework” is being considered:**

The project will not rely on the Borrower’s E&S Framework, in whole or in part.

**IV. CONTACT POINTS**

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**Borrower/Client/Recipient**

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**Implementing Agency(ies)**

Implementing Agency: Ministry of Economy and Planning

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**VI. APPROVAL**

Task Team Leader(s): Zenaida Hernandez Uriz, Ruben Jorge De Lemos Botelho Barreto

Practice Manager (ENR/Social) David Seth Warren Cleared on 23-Apr-2023 at 12:38:45 EDT

Public Disclosure



Safeguards Advisor ESSA

Martin Henry Lenihan (SAESSA) Concurred on 25-Apr-2023 at 09:04:11 EDT

Public Disclosure