



Concept Environmental and Social Review Summary

Concept Stage

(**ESRS Concept Stage**)

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I. BASIC INFORMATION

A. Basic Operation Data

Operation ID	Product	Operation Acronym	Approval Fiscal Year
P181328	Investment Project Financing (IPF)	ASCENT REAF	2024
Operation Name	Accelerating Sustainable and Clean Energy Access Transformation - Regional Energy Access Financing Platform		
Country/Region Code	Beneficiary country/countries (borrower, recipient)	Region	Practice Area (Lead)
Eastern and Southern Africa		EASTERN AND SOUTHERN AFRICA	Energy & Extractives
Borrower(s)	Implementing Agency(ies)	Estimated Appraisal Date	Estimated Board Date
Trade and Development Bank	Trade and Development Bank	18-Oct-2023	01-Dec-2023
Estimated Concept Review Date	Total Project Cost		
06-Jun-2023	590,000,000.00		

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Proposed Development Objective

The Project Development Objective is to accelerate access to and financing of sustainable and clean energy in Eastern and Southern Africa.

B. Is the operation 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 Activities

The Project is an integral part of the Phase I of the Accelerating Sustainable and Clean Energy Access Transformation in Eastern and Southern Africa Multiphase Programmatic Approach (ASCENT). The proposed Regional Energy Access Financing (REAF) Platform would be a part of the ASCENT ecosystem, supporting private sector-driven DRE electrification. REAF will provide loans and grants to accelerate DRE and clean cooking markets in the AFE region, while mobilizing additional commercial capital, in order to unlock financing urgently needed to continue the sector’s upward trajectory towards scale.



D. Environmental and Social Overview

D.1 Overview of Environmental and Social Project Settings

The salient physical features and environmental aspects of the region are mountains, plateaus, plains, and deserts e.g. the Great Rift Valley, Mount Kilimanjaro, Ethiopian Highlands, and Sahara Desert. Rivers Nile, Zambezi, Congo, Limpopo, traverse the region. Lakes Victoria, Tanganyika, Malawi, and Kariba are significant freshwater bodies. Somalia has longest coastline on Africa's mainland and consists of plateaus, plains and highlands. The country is water-stressed; vegetation is predominated by annual grasses/desert-adapted vegetation. The region is rich in biodiversity and ecosystems including tropical rainforests, savannas, wetlands, and coastal areas. It experiences a range of climates, tropical to subtropical and desert. AFE is abundant in natural resources.

The region has diverse populations. Countries like Rwanda, Ethiopia, Kenya and DRC have high population densities; others like Seychelles/Eswatini have smaller populations. It exhibits a range of ethnic groups, languages, and cultures including Bantu, Nilotic, Cushitic, Afro-Asiatic. Countries vary in economic development e.g. Kenya, Rwanda, and Ethiopia, have relatively well-developed economies; others, e.g. Malawi, Zambia, and Somalia face socio-economic challenges such as poverty, limited access to healthcare, and education. Social issues include rural/urban poverty, economic development, unemployment/low incomes and gender inequality. Increased displacement of population due to conflict and violence, including social unrest have disrupted access to basic services in many countries including Somalia and DRC. Lack of energy access is impacting the region's ability to lift itself out of poverty, build human capital, take advantage of digital advancements, build food security, and resilience to climate, pandemic and other shocks. Less than half of the region's population has access to electricity (48%). In rural areas, electrification rate is still below 5% in some countries.

D.2 Overview of Borrower's Institutional Capacity for Managing Environmental and Social Risks and Impacts

TDB has commitment to E&S sustainability since 2005, when its Environmental Policy was developed with FMO support. Over the years, it aligned its E&S policy with international standards like IFC's Performance Standards. TDB's ESMS encompasses elements such as policy, categorization, screening, due diligence, and monitoring. This ESMS is trusted by other financiers such as AFD and EIB. However, it currently lacks guidelines for lending through PFIs and TA activities. To address this, TDB is developing a Guidance Note (GN) to complement its ESMS for PFI lending and TA activities.

Periodic reviews of the ESMS conducted by external consultants hired by TDB using the TA provided by DFIs have ensured that TDB's ESMS aligns with international best E&S practices.

TDB currently has 4 E&S staff and has retained an ESG consulting firm to assist with E&S Due Diligence and E&S monitoring. Additional E&S staff and consultancies will be hired under ASCENT to ensure dedicated E&S staff. To this end, 2 E&S staff are expected on board by end of Q4, 2023, and 1 in Q1, 2024.

RIFF provides funds to TDB to implement projects in the 21 COMESA countries. RIFF Component 1 extends long-term finance (up to 18 years) to infrastructure subprojects meeting development criteria. Component 2 aids small energy firms with debt financing, especially off-grid. Component 3 offers expertise to enhance project finance, strengthen E&S capacity, and support the regional off-grid energy market through COMESA Secretariat.



TDB's performance under RIFF has been satisfactory, meeting the ESAP conditions and responding to World Bank requests. It enhanced its capacity in GBV, climate management, and stakeholder engagement. TDB adhered to WB requirements for subprojects, obtaining prior approvals and submitting necessary reports and instruments. Although it didn't lend through PFIs, it showcases TDB's commitment to E&S risk management in line with internal good practice and IFC standards.

II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Substantial

A.1 Environmental Risk Rating

Substantial

The project has substantial environmental risks but also offers significant benefits. It focuses on optimizing energy systems, utilizing cleaner energy sources, and enhancing climate change adaptation through diversified energy supply. It will help international carbon market participation for project countries. However, there are EEHS concerns. Building on TDB's RIFF component 2, the project extends longer-term lending support to DRE projects. Its scope includes clean cooking, and expanding clean energy access to households, enterprises, schools, and healthcare facilities. To manage environmental risks, the project will establish exclusion criteria, to exclude, e.g. investments in dams or high-voltage transmission infrastructure. The primary DRE technology will be solar PV, with potential inclusion of small-scale hydro (up to 20 MW). Potential environmental risks include improper e-waste management, labor concerns, and water usage. Subprojects will produce battery (Li-ion and lead-acid batteries) and e-waste-panels, circuit boards and wires. Off-grid solar products and mini-grids may contain hazardous materials. The absence of national regulations in some AFE countries amplifies these risks. For small-scale hydro, risks relate to watershed impacts, resource efficiency, pollution, disposal of hazardous waste, air and noise emissions, land disturbance, and effects on water and biodiversity. TDB will collaborate with regional and country-level PFIs. The main risks concerning the involvement of PFIs pertain to their commitment and comprehension of E&S risks and impacts linked to DRE projects, and their E&S capacity to identify and manage these risks and impacts. The project, led by the private sector, involves TDB as a direct lender or apex FI. It follows World Bank Performance Standards (WBG PS) under OP 4.03, requiring TDB to screen and conduct due diligence on subprojects for compliance with its ESMS and local E&S laws, including site visits.

A.2 Social Risk Rating

Substantial

The social risk rating is Substantial. TDB will not finance land acquisition or resettlement activities and PFIs will propose subprojects for financing only when land is available. However, such land may have encumbrances, legacy issues or may not have been acquired in line with PS5. Subprojects may be in IP areas or where child labor/SEA is tolerated; in countries with weak E&S laws or proposed by PFIs with weak E&S capacity. Other risks relate to labor management, subprojects in conflict/refugee-hosting areas, and exclusion of vulnerable groups/ IPs/rural communities from project benefits. The primary technology for DRE is solar PV below 2MW; small hydro (up to 20MW) may be considered. Due to potential displacement risks, mini-grids will undergo ESDD and reports shared with the Bank. Subprojects failing to meet PS5 will not be financed until remedial actions are taken. Subprojects exceeding 20MW and high-risk ones like dams or high-voltage transmission infrastructure will be excluded. TDB and PFIs monitoring and supervision capacities across a wide geographic area are uncertain. TDB will boost its capacity by hiring dedicated staff and may extend services of a Third-party Monitor. TDB/PFIs will integrate screening criteria and



project-specific exclusions into their ESMS and will screen subprojects for social risks to exclude high-risk subprojects. PFIs will be trained on ESMS application and require TDB's approval to include subprojects in the pipeline. Initially, PFIs will focus on small DRE projects under 2MW with limited E&S risks. This will be expanded as PFIs demonstrate E&S competence, and TDB affirms its oversight capacity. If necessary, Third-party Monitors may assist PFIs with subproject screening and ESDD. To qualify for ASCENT funding PFIs must have ESMS covering the full spectrum of E&S risks, employ in-house E&S experts, allocate resources for E&S risk management and commit to build internal E&S capacity. This will be an ESAP condition.

B. Relevance of Standards and Policies at Concept Stage

B.1 Relevance of Environmental and Social Standards

ESS1 - Assessment and Management of Environmental and Social Risks and Impacts Relevant

TDB's ability to identify and manage E&S risks in line with WB PSs is critical. TDB has experience in E&S risk management across sectors e.g. off-grid solar/small hydros. TDB ESMS includes E&S screening, categorization, DD, monitoring, and E&S clauses in financing agreements. However, it has no provisions for lending through PFIs or ongoing monitoring of PFIs. To address this gap, TDB is developing GN to complement the ESMS. The ESMS+GN will be reviewed for relevance to subprojects during ASCENT preparation. If necessary, it will be updated to include specific restrictions. If the GN is not ready by appraisal, it will be an ESAP disbursement condition. All PFIs will have ESMSs to ensure compliance with local laws/WB PSs. TDB will review PFIs existing ESMSs and require them to address any gaps. PFIs without ESMS will adopt TDB's ESMS. TDB will train/support PFIs and oversee their ESMS implementation through site visits, review of reports etc. PFIs will appoint dedicated E&S staff.

ESS10 - Stakeholder Engagement and Information Disclosure Relevant

TDB has a publicly disclosed External Communication Mechanism (ECM) for addressing inquiries and complaints from the public/stakeholders. It offers guidance documents to subprojects on stakeholder engagement and grievance redress. All PFIs will establish an ECM and mandate their subprojects to create a Stakeholder Engagement Plan (SEP) proportional to their risks/impacts. TDB and PFIs must integrate SEP requirements/procedures into their ESMS, in line with PS1. This includes identifying and engaging with stakeholders, including Indigenous Peoples' representatives and vulnerable groups, defining responsible parties, setting timelines, disclosing information, and allocating budgets for the engagement process. PFIs will publish their ESMS, ECM and subproject information on their websites, and WB granted written permission to summarize and disclose them on its website. Subprojects SEPs must be disclosed along with subproject instruments, at accessible venues for community stakeholders.

ESS2 - Labor and Working Conditions Relevant

TDB/PFIs must adhere to national laws/PS2, and establish GRM for employees. TDB's HR policy is in line with PS2. It covers working conditions, equal opportunity, grievances, OHS, forced/child labor, and SH management. TDB will mandate all PFIs to adopt PS2-compliant HR policies, including GRM and SH prevention/response. TDB will review PFI HR policies as part of its DD. PS2's application to DRE SMEs will be assessed during appraisal and specific measures recommended for SMEs in the appraisal ESRS. DRE subprojects may entail labor risks related to OHS, child/forced labor in solar product/battery supply chains, worker conflicts, gender-based exclusion, poor working/living conditions,

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absence of labor laws in some countries. TDB/PFIs will assess these risks in line with ESS2/ESMS. Based on identified risks, subprojects may conduct OHS risk assessments, implement OHS plans/establish work permit systems. PFIs will assess/monitor subprojects' compliance with national labor laws/PS2.

ESS3 - Resource Efficiency and Pollution Prevention and Management

Relevant

The Project is expected to yield climate benefits by promoting access to renewable energy, thus avoiding, and reducing carbon dioxide equivalent emissions. Potential issues related to the subprojects are summarized in Section II. Both TDB and the PFIs will ensure that the subproject activities demonstrate resource efficiency, particularly in water and energy usage, and effectively prevent or mitigate pollution and degradation of natural resources like soil and water, as well as management of watershed level impacts and cumulative impacts of small-scale hydros, including both solid and electronic waste management. TDB will mandate the PFIs to conduct ESDD for the subprojects. PFIs will assess and monitor the ongoing compliance of subprojects with national regulations and PS3 requirements. TDB's existing ESMS has relevant procedures to assess and manage PS3 related aspects as required by PS3 and the WBG EHS Guidelines (general and sector specific).

ESS4 - Community Health and Safety

Relevant

Subproject activities may pose Community Health and Safety (CH&S) risks, including equipment design, hazardous materials, traffic safety, and disease transmission. Worker presence in unfamiliar areas may lead to conflicts due to cultural differences. Large-scale construction such as dams and high-voltage transmission lines is not expected, but construction near villages may raise H&S concerns. Subprojects must evaluate and mitigate CH&S risks following PS4/WB EHS Guidelines. In conflict-affected countries security personnel deployment may be necessary. But their presence may introduce risks, including SEA/SH. The use of security personnel will be assessed in accordance with WBG Guidelines; subprojects may need security management plans and Codes of Conduct for community interaction. TDB/PFIs will identify/address CH&S risks in subprojects by developing and implementing management plans. During preparation, WB will review any challenges that TDB may face regarding PS4 compliance.

ESS5 - Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

Relevant

Off-grid DRE subprojects include SHS and hydro/solar mini-grids, potentially involving land acquisition and displacement risks. Mini-grids, capped at 20MW, may require 50-75 acres per subproject and affect communities. Other land-related risks include conflicts, exclusion of land users, resettlement capacity challenges, livelihood impacts. TDB ESMS assesses land acquisition risks but TDB experience with involuntary resettlement risks is limited. Due to this, ASCENT will establish a threshold of 200 persons for physical and for economic displacement. If this threshold is exceeded, TDB will require WB approval before financing the subproject. PFIs will initially finance subprojects below 2MW focusing on DRE with readily available/unencumbered land. PFIs will support DRE subprojects only when all land/resettlement matters are resolved. TDB/PFIs must verify land acquisition procedures during DD and exclude non-compliant subprojects. PFIs must establish GRMs for land related grievances.

ESS6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources

Relevant

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Mini-grids, especially hydro-based may lead to impacts envisaged under PS6. Impacts include reduced residual flow, deposition of fine sediments, reduced organic matter retention affecting fish availability, cumulative impacts at the basin level, hydrology impacts. All ASCECNT subprojects are expected to mitigate biodiversity impacts in line with PS6. TDB/PFIs will assess biodiversity risks during ESDD of subprojects. TDB has procedures for such assessments but lacks experience in complex biodiversity issues, especially related to modified/natural habitats and ecosystem services. To reduce PS6 risks, excluded activities will include those affecting critical habitats, legally protected areas, high-biodiversity regions, and subprojects proposing biodiversity offsets. For consistent risk management, this list will apply to PFIs. To avoid harm to biodiversity, TDB/PFIs/subprojects must screen for biodiversity risks and assess alternatives. Biodiversity management plans will be mandatory.

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

Relevant

IP/SSAHUTLC are present in some AFE countries like Kenya and Ethiopia. Others like Somalia have distinct tribal/clanic groups and some subprojects may affect IPs and vulnerable groups. TDB/PFIs will establish an inclusion/benefit access strategy for IPs and vulnerable groups. Evaluation of ESS7 risks will consider project context, complexity, and the sub-borrower capacity to handle IP-related risks. TDB has IP policy which has not been tested practically. TDB ESMS is committed to not financing projects encroaching on IP lands without documented consent. TDB must pass on PS7 requirements to PFIs and ensure their ESMS/staff can identify, assess, and manage risks as per PS7. Testing this capacity will occur if TDB/PFIs finance projects in IP areas. In such cases, the Bank will train TDB E&S staff in ESS7 application; TDB will in turn train PFIs in PS7 application, PS7 ESDD guidance, consultation requirements, application of FPIC and guidance for implementation of subprojects as per PS7.

ESS8 - Cultural Heritage

Relevant

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 identified prior to appraisal and supplemented by requirements of PS8. All subprojects, whether supported directly by TDB or through PFIs, must consult with affected communities to identify cultural heritage of importance, and incorporate their views into the decision-making process. The requirements for managing potential project impacts to the cultural heritage of IPs are covered under PS7. TDB will cascade down the PS8 requirements to PFIs and ensure they have the capacity in their ESMS and staff to identify, assess and manage PS8 risks.

ESS9 - Financial Intermediaries

Relevant

ESS9 is relevant to this project, as TDB will act as the apex lending institution. It will provide project funds to PFIs for on-lending to subprojects under the facility. The E&S risk management will be done according to the WBG's PSs. To ensure compliance with the WB PSs, all PFIs will be mandated to establish and implement an ESMS and possess the necessary E&S capacity, especially in terms of E&S expertise as per the requirements of the WB OP 4.03 and ESS9. The ESMS, at TDB and the PFI level, will apply specifically to subprojects financed under the ASCENT Project. These measures will help maintain the appropriate E&S procedures and standards throughout the project implementation



B.2 Legal Operational Policies that Apply

OP 7.50 Operations on International Waterways	No
OP 7.60 Operations in Disputed Areas	No

B.3 Other Salient Features

Use of Borrower Framework

TDB's framework, i.e. their ESMS is being considered in its entirety. where deficiencies are noted. TDB will be required to strengthen their ESMS by updating it to ensure compliance with the WB PSs. for example, TDB is currently in the process of updating its ESMS by developing Guidance Note for lending through PFIs and for TA activities. This is because currently, the TDB ESMS does not have provisions for lending through PFIs or for TA activities. to ensure the PFIs are compliant with the WB PSs, their ESMS will mirror the TDB ESMS and those with no ESMS will adopt the TDN ESMS. They will be trained in ESMS application and supported by TDB as they gain experience in ESMS implementation.

Use of Common Approach

N/A

No

C. Overview of Required Environmental and Social Risk Management Activities

C.1 What Borrower environmental and social analyses, instruments, plans and/or frameworks are planned or required by Appraisal?

III. CONTACT POINT

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