

**DE-RISKING IMPORT OF STRATEGIC COMMODITIES
(P500589)**

Environment and Social Action Plan (ESAP)

ESAP Action	Completion date
Performance Standard 1 (PS1) Assessment and Management of Environmental and Social Risks and Impacts	
1	Reserve Bank of Malawi (RBM) to update its existing Environment and Social Management System (ESMS) where applicable to include specific requirements and procedures relevant to this operation (ie environment and social review of trade finance procedures involving local issuing banks), and disclose it prior to project effectiveness.
2	Each participating International Correspondent Confirming Bank (ICCB) and Participating Financial Intermediaries (PFIs) to have in place an ESMS which includes trade finance transactions (including its operationalization and ongoing implementation), verified by RBM and World Bank.
3	<p>a) RBM will recruit or assign a dedicated, technically qualified E&S specialist for the operation to support the operational safeguard aspects of the project, satisfactory to the World Bank.</p> <p>b) RBM will require and ensure each ICCB and PFI has dedicated staff for ensuring ESMS implementation.</p>
4	RBM will require all ICCBs and PFIs to disclose their ESMS.
5	<p>a) RBM will update its existing external communication mechanism throughout project implementation to receive, register, screen and assess, track, respond to, and act upon external inquiries and complaints from the public regarding this operation.</p> <p>b) RBM will require all ICCBs and PFIs to develop, disclose and implement an external communication mechanism to receive, register, screen and assess, track, respond to, and act upon external inquiries and complaints from the public regarding their operations. Where systems are already in place these should be updated to incorporate this operation.</p>
7	PFIs through the RBM to submit to the World Bank's DISC Operation Environment and Social Task Team (ESTT) information as required to complete the E&S due diligence for each trade

	supported by this operation, as per the WB Performance Standards, including compliance with the exclusion list and per the PFI approved ESMS.	
8	<p>RBM will notify the World Bank within 48 hours of becoming aware of any significant incidents, accidents, or other circumstances related to any program component, whether implemented directly or through ICCBs and PFIs that may have a material impact on compliance with the Performance Standards applicable to this operation.</p> <p>RBM will require the ICCBs and PFIs to report within 48 hours of becoming aware of any significant incidents, accidents, any such incident or other circumstances within their respective portfolio.</p>	Throughout operation implementation
Performance Standard 2 (PS2) Labor and Working Conditions		
9	<p>RBM will require and ensure ICCBs and PFIs have HR systems and procedures that comply with Performance Standard 2 (PS2) requirements.</p> <p>The due diligence by ESTT will consider the PS2 requirements and labor requirements and working conditions applicable to the trade, including child labor, OHS requirements, labor GRM, amongst others.</p>	<p>Prior to disbursing Letters of Confirmation to the ICCBs against trades from PFIs</p> <p>Throughout operation implementation</p>
Performance Standard 3 (PS3) Resource Efficiency and Pollution Prevention		
10	The ESTT due diligence will consider the resource efficiency and pollution prevention potential risks and impacts for each trade, including the handling, storage, disposal, waste management and emergency procedures related to the specific commodities. Procedures should consider impacts to biodiversity conservation and natural resources especially water resources. Relevant information will be submitted to the ESTT through RBM.	Throughout operation implementation
Performance Standard 4 (PS4) Community Health, Safety and Security		
11	The ESTT due diligence will consider the potential risks and impacts to community health, safety and security of each trade, including the risks of bulk storage of fertilizer, necessary community awareness of the commodities e.g., awareness to prevent children eating the fertilizer, etc. Community safety should also consider the means of transport of commodities for distribution. Relevant information will be submitted to the ESTT through RBM.	Throughout operation implementation
Performance Standard (PS5) Land Acquisition and Involuntary Resettlement		

12	No land acquisition or involuntary resettlement is currently anticipated as a result of this operation.	Not applicable
Performance Standard 6 (PS6) Biodiversity Conservation and Sustainable Management of Living Natural Resources		
13	No direct impact to biodiversity or living natural resources is anticipated. Indirect impacts through spills and accidents which may occur, is to be considered in PS3.	Throughout operation implementation
Performance Standard 7 (PS7) Indigenous Peoples		
14	Not applicable in Malawi	Not applicable
Performance Standard 8 (PS8) Cultural Heritage		
15	RBM and ICCBs and PFIs will assess risks and impacts associated with PS 8 in all subprojects they finance under the Facility through the E&S Due Diligence for each trade.	Not applicable

EXCLUSION LIST

This trade finance operation does not finance the following:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES.
- Production or trade in weapons and munitions.¹
- Production or trade in alcoholic beverages (excluding beer and wine).¹
- Production or trade in tobacco.¹
- Gambling, casinos and equivalent enterprises.¹
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where the Association considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.

A reasonableness test will be applied when the activities of the project company² would have a significant development impact but circumstances of the country require adjustment to the Exclusion List.

All financial intermediaries (FIs), except those engaged in activities specified below*, must apply the following exclusions, in addition to Exclusion List:

- Production or activities involving harmful or exploitative forms of forced labor³/harmful child labor.⁴
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.

* When investing in **microfinance** activities, FIs will apply the following items in addition to the Exclusion List:

- Production or activities involving harmful or exploitative forms of forced labor²/harmful child labor.³
- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products.
- Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.

* **Trade finance** projects, given the nature of the transactions, FIs will apply the following items in addition to the Exclusion List:

¹ This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.

² Project Company in this case refers to the Trade Finance.

³ Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

⁴ Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

- Production or activities involving harmful or exploitative forms of forced labor²/harmful child labor.³