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## THE AFRICAN DEVELOPMENT BANK GROUP

**PROJECT: FOSTERING AFRICA'S AGRICULTURAL PRODUCTIVITY THROUGH FERTILIZER VALUE CHAIN FINANCING (FOSTER)**

**SAP CODE :** P-SL-A00-009

**COUNTRY:** SIERRA LEONE

## ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM (ESMS) ASSESSMENT REPORT

<b>ESMS Assessment</b>	Nana Darko COBBINA	<i>Environmental Safeguards &amp; Compliance Officer</i>	SNSC
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## I. INTRODUCTION TO THE PROJECT

The Africa Fertilizer Financing Mechanism's (AFFM) Strategic Plan for 2022-2028 prioritizes initiatives to enhance access to suitable fertilizers through improved finance and technical assistance, aiming to foster agricultural productivity across Africa. As part of the strategic objective, AFFM selected Welthungerhilfe (WHH) to implement the "Fostering Africa's Agricultural Productivity through Fertilizer Value Chain Financing" (FOSTER) project in Sierra Leone, with a partial trade credit guarantee of USD 1.5 million and a grant of USD 700,000. This project aligns with the African Development Bank's (AfDB) Feed Africa Strategy, which seeks to secure long-term private sector involvement in fertilizer financing, ultimately enhancing food production and food security in Sierra Leone. The core objectives involve facilitating access to fertilizer, loans, and training for smallholder farmers, while leveraging partnerships to provide credit guarantees and sustainable agricultural solutions. The central actors are Africa Fertilizer Financing Mechanism (AFFM), Welthungerhilfe (WHH), NaFRA, and various financial and agricultural entities like Apex Bank, Safe Capital Microfinance, banks and SMEs.

## II. OVERVIEW OF WHH

WHH is implementing a variety of projects in Sierra Leone, with a total budget of approximately €15.5 million, all of which align closely with the goals of the FOSTER program in terms of enhancing agricultural productivity, climate resilience, and sustainable resource management. WHH has a suite of environmental and social standards that address the requirements of International Development Finance Institutions. These and the E&S policy statement are approved by Senior Management. WHH collaborates with local governments and financial institutions across these projects to enhance access to agricultural inputs and infrastructure, directly aligning with FOSTER's objectives to increase fertilizer access and promote integrated soil fertility management in Sierra Leone. Among others, WHH will set criteria to select banks and MFIs, coordinate with banks in selection of agro-dealers, coordinate between stakeholders, including financial institutions and agro-dealers to ensure that credit guarantees and loans reach target groups.

## III. AFDB E&S RISK CATEGORIZATION AND DISCLOSURE REQUIREMENTS

- 1. E&S Categorization.** Per the country system, the proposed activities under the FOSTER project pose low potential environmental and social risks and generally fall outside the First Schedule of the Sierra Leone Environmental Protection Agency (SLEPA) Act (No. 15 of 2022) and therefore does not qualify as a project requiring environmental impact assessment license. Furthermore, the activities of the FOSTER project do not trigger any of the factors listed in the Second Schedule of the SLEPA Act, which outlines factors determining whether a project requires EIA license, including consideration of whether the project transforms the locality, whether the project has or is likely to have substantial impact on the ecosystem of the locality, whether the project will endanger any species of flora or fauna or the habitat among others. Based on the national categorization and the anticipated risks of the project activities, the project is confirmed as Category 2 as per the African Development Bank's 2023 Integrated Safeguards System (ISS). The categorization is based on the fact that the Bank's intervention is directed at WHH (working in partnership with selected local banks) which will serve as an intermediary primarily to increase access to fertilizers to farmers through existing agro-dealers and SME distribution channels. Per



the Bank's ISS, the potential upstream E&S risks are likely to be medium- to low-scale, easily reversible, and readily minimized by applying appropriate management and mitigation measures, or incorporating internationally recognized design criteria including the integration of a training component to farmers on good agricultural practices to be provided by WHH, which has been assessed to have the capacity to deliver this mandate.

**2. E&S Disclosure Requirements.** No physical infrastructure is included as part of this project. WHH will set criteria to select banks and MFIs, who will in turn provide loans to farmers through selected agro-dealers, SMEs and retailers. Upstream E&S risks are envisaged to be medium to low and include risk from misuse of fertilizers and health and safety risks resulting from improper exposure to fertilizer and environmental pollution. WHH will provide training on good agricultural practices including the «5 Rs» of fertilizer application (right type, right place, right timing, tight amount, right method). Based on the above and the Bank's 2023 ISS, WHH shall disclose two (02) Environmental and Social safeguard instruments, as follows:

- Environmental and Social Management System (ESMS) (including critical components)
- ESMP mandatorily annexed to the Financing Agreement

#### IV. SCOPE OF THE ESMS ASSESSMENT

An environmental and social management system (ESMS) helps companies integrate into their core operations procedures and standards allowing them to anticipate environmental and social risks posed by their business activities and avoid, minimize, and compensate for such impacts as necessary. By implementing an effective ESMS, a financial institution can enhance its understanding of environmental and social risks and opportunities associated with each transaction and identifying measures for mitigating and managing them, which can be included in the decision-making process before proceeding with a transaction.

The Environmental and Social Safeguards and Compliance Department (SNSC) of the African Development Bank ("the Bank") has assessed WHH's ESMS in relation to compliance with the requirements of the Bank's Integrated Safeguards System (ISS). The evaluation focused on the key pillars of a robust ESMS, the identification and management of E&S risks and impacts, including monitoring and reporting. These key pillars include:

1. Presence of a high-level policy approved by the company's Senior Management
2. Existing E&S management procedures for handling each of the E&S aspects of the company as well as its corporate social responsibility.
3. Institutional capacity (existence of clear E&S unit/function) in the company's organogram, including skilled and appropriate staffing commensurate to the E&S challenges; and adequate sustainable financing (permanent budget line) for the operation of the E&S unit/function.
4. Environmental and social governance (ESG) in the organization, including the level of independence of the E&S Unit/Function, E&S and safety performance as well as the preparation and publication of E&S performance reports.

## V. FINDINGS OF THE ASSESSMENT

A summary of the Bank's review process, in relation to the key pillars of an ESMS per the Bank's ISS requirements is set out below. A summary of the review of the key pillars of WHH's ESMS against the requirements of the AfDB ISS is presented in Annex 1.

### 1. High level E&S policy Statement approved by the company's Senior Management.

WHH has an E&S Policy (Environmental and Socio-economic Standards) approved at Senior management Level in February 2021 setting out its commitment to minimizing environmental and social impact and specific commitments to protecting the environment. This policy is not yet disclosed on its website.

### 2. Existing E&S management procedures for handling each of the E&S aspects of the company as well as its corporate social responsibility (CSR).

WHH has a Code of Conduct, approved by the Executive Board in May 2024 and published in three languages (English, French and German) on its website. The Code of Conduct is part of WHH's ESMS and applies to all employees, including freelance workers and volunteers, and is also binding for all partner organizations, as well as WHH's suppliers and service providers. WHH has an Environmental & Socio-economic Standards Manual, approved by its Executive Board in February 2021, and includes a set of eight environmental and social standards which serve as guiding principles in the delivery of its programmatic work and form the backbone of the ESMS. These are not yet disclosed on WHH's website. WHH commits to securing the endorsement of its Executive Management to ensure these are published. In addition to this, WHH has a partners assessment tool, guidelines for cooperation and companies, environmental and climate screening tool, and a detailed implementation strategy that includes detailed partner selection criteria. However, there is scope to augment these screening and selection tools to reflect relevant additional E&S specific criteria. WHH has indicated that given the uniqueness of the FOSTER project, appropriate screening tools will be developed based on the contract to guide selection of partners such as MFIs, Banks, Agrodealers, etc. in addition to what currently exists.

### 3. Institutional capacity (existence of clear E&S unit/function).

WHH has an internal risk management function including a Sustainability Unit with two experts and agronomists. No specific budget for the implementation of E&S measures has been shared to the Bank but WHH indicates the costs for ESDD are a part and parcel of its programmatic work. There is a commitment to include a breakdown of the estimated annual budget for ESMS activities in an updated ESMS.

### 4. Environmental and social governance (ESG) in the organization, including the level of independence of the E&S Unit/Function, E&S and safety performance as well as the preparation and publication of E&S performance reports.

There is clear ownership and commitment for E&S risk management from senior management, demonstrated through oversight, decision-making and accountability. There are currently no provisions regarding the preparation and publication of E&S performance reports. There is therefore a need to include the preparation of the annual external E&S Performance Audit reports. Regarding Disclosure of Information, there is a need to specify that disclosures should be made.

## VI. SCOPE FOR IMPROVEMENT

Overall, the Bank considers that WHH has a generally good ESMS as reflected in several existing documents including the ESS, Code of Conduct, CSR, Partners Assessment Tool, Guidelines for Cooperation with Companies, and the FOSTER project implementation strategy that includes detailed partner bank selection criteria among others. However, some of the screening and selection tools require updating to reflect relevant E&S criteria. These include the guidelines for cooperation with companies, partners assessment tool and the ‘Bank Selection Criteria’ as detailed in Annex 1 of the FOSTER project implementation strategy. This will enhance the robustness of existing processes in place for identifying and managing E&S risk and impacts. Also, the ESMS does not address monitoring and reporting. Improvement measures are set out in the Environmental and Social Action Plan (ESAP) listed in the table below.

**Table 1: ESAP resulting from WHH ESMS Review by the Bank**

	Actions	Indicators	Deadlines
1	Update the ‘guidelines for cooperation with companies’, ‘partners assessment tool’ and the “Bank Selection Criteria”, to reflect relevant E&S criteria.	Updated tools and procedures shared with the Bank.	Before first disbursement
2	Establish procedures to address E&S monitoring and reporting including periodic and annual independent E&S performance audits to be disclosed to stakeholders, such as the African Development Bank	Updated ESS shared with the Bank.	Before first disbursement.

NB: WHH may consider integrating all the separate components of its ESMS into one document (for easier reference).

## 5. CONCLUSION

As part of the processing of the FOSTER project, the Bank reviewed WHH’s ESMS, including the ESS dated May 2021, in relation to compliance with the requirements of the Bank’s Integrated Safeguards System (ISS).

Overall, WHH’s ESMS is assessed to be good and addresses the main components of the four pillars that make a robust ESMS, however, improvements are requested (See ESAP Matrix).



## Annex 1: ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM (ESMS) REVIEW CHECK LIST (SELF-ASSESSMENT)

E&S Requirements (ISS)	Yes	No	Observations of Client's Senior Management	Endorsed & Signed by Client's Senior Management		Year / Number	Evidence of compliance (Web site link & signed/approved documents)
				Board of Directors	Senior Management		
Approved High level E&S Policy Statement	Yes			yes	yes	2021	Not published but attached in email
Approved High level Corporate Social Responsibility Policy	Yes		Next to the Sustainability Strategy as attached WHH's entire operations must be in line with the Code of Conduct, as well as the Strategy and Vision. Both documents are core elements of WHH's understanding of Corporate Social Responsibility. In addition, collaboration with corporates requires a due diligence check prior to engagement.	yes	yes	2024	Sustainability Strategy <a href="#">WHH's Code of Conduct</a> <a href="#">WHH's Strategy and Vision</a> <a href="#">WHH is signatory and reports to UN Global Compact</a>
Existing E&S procedures for handling each E&S aspect as well	Yes		The Anti-Terrorism and Anti-Money Laundering Policies				<a href="#">Anti-Terrorism Policy</a>



as its corporate social responsibility			provide safeguards, incl. via mandatory screening of program participants (suppliers, consultants, senior staff a.o.) against UN, US and EU sanctions lists.				Environmental and climate screening tool ( <b>attached</b> )  Corporate Social Responsibility ( <b>attached</b> )
Existing screening procedures for assessing partners/ Investee companies' E&S policy (local corporates)	Yes		WHH has general partner screening procedures and guidelines in place. See also above on Anti-Terrorism policy				Manual 6a+b
Subprojects E&S categorization check list (Investment process)			Under WHH's core mandate as an NGO lending and investments are not a central activity. Hence, such detailed categorization checklist is not required for the NGO as a whole. With respect to this particular project, the definition of the selection criteria for farmers groups a.o. to receive support through the fertilizer				





			financing mechanism is a core activity.				
Institutional capacity (existence of E&S unit/function)	Yes		WHH has the institutional capacity to respect environmental and social safeguards, and WHH has an environmental and social safeguards policy and a sustainability team and policy.			2021	WHH proof of staff as needed
Organogram of the E&S Unit	Yes						<a href="https://welthungerhilfe.sharepoint.com/Organisation/org_ou35/Documents/Forms/AllItems.aspx?id=%2FOrganisation%2Forg_ou35%2FDocuments%2FOrga%2FORganigram_Supply_Chain_Management_2025%2Epdf&amp;parent=%2FOrganisation%2Forg_ou35%2FDocuments%2FOrga">welthungerhilfe.sharepoint.com/Organisation/org_ou35/Documents/Forms/AllItems.aspx?id=%2FOrganisation%2Forg_ou35%2FDocuments%2FOrga%2FORganigram_Supply_Chain_Management_2025%2Epdf&amp;parent=%2FOrganisation%2Forg_ou35%2FDocuments%2FOrga</a>
Number of E&S Staff + their CVs	Yes						<a href="https://welthungerhilfe.sharepoint.com/Organisation/org_ou35/Documents/Forms/AllItems.aspx?id=%2FOrganisation%2Forg_ou35%2FDocuments%2FOrga%2FORganigram_Supply_Chain_Management_2025%2Epdf">welthungerhilfe.sharepoint.com/Organisation/org_ou35/Documents/Forms/AllItems.aspx?id=%2FOrganisation%2Forg_ou35%2FDocuments%2FOrga%2FORganigram_Supply_Chain_Management_2025%2Epdf</a>



							<a href="#">f&amp;parent=%2FOrganisation%2Forg_ou35%2FDocuments%2FOrga</a>
Sustainable financing of the E&S Unit (Annual budget of the E&S Unit)	Yes		Staff cost and solarization of country offices				
Exclusion list		No	Any entity with a confirmed positive match from the Anti-Terrorism screening is automatically excluded from collaboration. In addition, corporates that are assessed as a reputational risk following the aforementioned due diligence check are also excluded from collaboration. However, there is no fixed list.				