



TANZANIA AGRICULTURAL DEVELOPMENT BANK LIMITED

ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM

2025

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1. BACKGROUND

An Environmental & Social Management System (ESMS) is a framework that integrates environmental and social risk management into TADB's business processes. An ESMS is a set of actions and procedures that are implemented concurrently with the TADB's existing risk management procedures. ESMS ensures that the TADB's activities comply with its Environmental and Social Management Policy ("Policy"), Environmental and Social Management Procedures of Investment Projects ("Procedures") and Performance Standards ("PSs"). An ESMS helps TADB to avoid and manage loans with potential environmental and social risks by conducting environmental and social due diligence prior to loan disbursement and adequate supervision of projects during the term of the loan agreement.

2. ENVIRONMENTAL AND SOCIAL MANAGEMENT POLICY

2.1 Purpose Statement

This Environmental and Social Management Policy establishes the framework through which TADB assesses, manages, and monitors environmental and social risks and impacts associated with all financed projects throughout their lifecycle. The policy establishes minimum environmental and social requirements that all Bank-financed projects must meet to prevent, minimize, mitigate, or remedy adverse impacts while ensuring compliance with applicable national laws and international good practices.

2.2 Policy Scope

This Policy will apply to all financed projects, including projects financed prior to the development of the Policy. All loan agreements of direct lending and lending through PFIs will contain covenants requiring that projects and sub-projects comply with applicable environmental and social requirements.

2.3 Policy Statement

TADB is committed to implementing effective environmental and social management practices that promote sustainable financing through its demonstrated commitment to the following:

1. TADB will not knowingly finance Projects that would contravene national laws or country obligations under relevant international treaties, conventions and agreements, as identified during Project appraisal along with activities under Bank's Exclusion List (Annex A).
2. TADB is committed to the respect for human rights in the Projects financed. TADB will require clients, in their business activities, to respect human rights, avoid infringement on the human rights of others, and address adverse human rights risks and impacts caused by the business activities. TADB will continuously improve the Projects it finances in accordance with good international practice and will seek to strengthen processes to identify and address human rights risks during the appraisal and monitoring of Projects.
3. TADB believes that gender equality is a fundamental aspect of a modern, well-functioning market economy and democratic society, and is committed to preventing gender discrimination and to promoting gender equality within its mandate. TADB requires its clients to identify any potential gender specific and disproportionate adverse impacts and develop mitigation measures to reduce these. TADB will require its clients to adopt measures to effectively prevent and address any form of violence, harassment, including sexual harassment, exploitation and abuse, gender- based violence, bullying, intimidation, and/or exploitation.
4. TADB will require its clients to identify vulnerable groups that may be disproportionately impacted by Projects and develop and implement mitigation measures so that vulnerable groups are not disproportionately impacted.
5. TADB recognises the importance of addressing both the causes and the consequences of climate change in its operations. TADB will engage, whenever appropriate, in innovative investments and technical assistance to support no/low-carbon investments and climate change mitigation and adaptation opportunities, as well as identify opportunities to avoid, minimise or reduce greenhouse gas emissions in Projects. TADB will require its clients to assess risks caused by climate change to the Projects. TADB will also support its clients in developing climate adaptation measures and climate resilient investments as well as in managing risks caused by climate change.

6. TADB will require its clients to be precautionary in their approach to the protection, conservation, management and sustainable use of living natural resources. Clients are required to ensure that relevant Projects include measures to safeguard and, where feasible, enhance ecosystems and the biodiversity they support intending to achieve no net loss of biodiversity as well as sustainably manage and use living natural resources.
7. TADB is committed to the principles of transparency, accountability and stakeholder engagement, and promoting adoption and implementation of these principles. TADB requires its clients to comply with the applicable requirements of national law with respect to public information and consultation, identify stakeholders potentially affected by and/or interested in Projects, and to develop and implement a grievance mechanism.
8. Proportionate to the nature, scale, environmental and social risks, and impacts of the Project, TADB requires its clients to disclose sufficient information about the risks and impacts arising from Projects, engage with stakeholders in a meaningful, effective, inclusive and culturally appropriate manner and take into consideration the feedback provided through such engagement.
9. TADB will build partnerships with clients to assist them in adding value to their activities, improve long-term sustainability and strengthen their environmental and social management capacity. TADB will work together with other international financial institutions, bilateral donors, UN agencies and other organisations in coordinating effective interventions to promote environmental and social sustainability at the regional or sectoral level in its operations. When co-financing Projects with multilateral development banks and bilateral development institutions, TADB will cooperate with them in order to agree on a common approach for Project assessment, appraisal, management of environmental risks and impacts, monitoring and reporting. A common approach may be acceptable to TADB, provided that such an approach is materially consistent in content and outcomes with this Policy, including the Performance Standards. The Bank will require clients to apply either the Bank's requirements or the common approach to the Project.
10. TADB's strategies, sector strategies and policies will integrate consideration of potential environmental and social challenges and opportunities associated with the TADB's envisaged activities.
11. Through its technical cooperation and policy dialogue, TADB will seek opportunities to build capacity to consider and manage environmental and social risks, impacts and opportunities in its Projects. TADB will facilitate development of an enabling environment for its clients to achieve environmentally and socially sustainable outcomes in their Projects.

2.4 Review

The Policy will be subject to annual review or as needed to ensure that it reflects developments in the market and best practices, taking into account the changing environment of the Bank.

2.5 Communication

The ESMS and E&S Management Policy shall be communicated internally to the staff through training, sharing on different Bank platforms and externally through publication on the Bank's website.

2.6 Reporting

The E&S Function under Risk and Compliance Unit shall report on the Bank's E&S matters on a monthly (to Management), Quarterly (to the Board), and on Annual basis (to stakeholders).

2.7 Audit

Internal Audit shall subject the E&S Management Policy to a review in line with the annual audit work plan.

3. TADB'S ENVIRONMENTAL AND SOCIAL STANDARDS

TADB's ESMS adopts the environmental and social standards from the performance standards (PSs) on Environmental and Social Sustainability of the International Finance Corporation (IFC) as highlighted below:

3.1 TADB Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts

This Performance Standard (PS) recognises the importance of an integrated assessment to identify the environmental and social risks and impacts associated with Projects and the client's management of environmental and social performance throughout the life of the Project. This PS outlines the responsibilities of the client in the process of assessing the potential environmental and social risks and impacts associated with the Project, and developing and implementing procedures for managing and monitoring these risks and impacts.

Objectives

The objectives of this PS are to:

- Identify and assess environmental and social risks and impacts of the Project;
- Adopt a mitigation hierarchy approach to address environmental or social risks and impacts from Project activities on workers, affected communities, and the environment;
- Develop an ESMS commensurate to the environmental and social risks and impacts of the Project in a manner consistent with the relevant PSs; and
- Promote continuous improvement of clients' environmental and social performance through the effective use of management systems.

Scope of Application

This PS applies to all Projects financed by the Bank as established in the Environmental and Social Management Policy. The client will as part of its environmental and social assessment process, identify the relevant requirements of this PS, and how they will be addressed and managed through the Project design, construction, operations, and decommissioning or closure and reinstatement. Where potentially significant environmental and/or social risks and impacts are identified from other facilities or activities in the vicinity of the Project, existing facilities, and facilities or activities outside the control of the client, to which the PSs do not apply, the client will make reasonable efforts to assess and mitigate risks to the Project.

Requirements

- The client shall conduct an Environmental and Social Impact Assessment.
- The client shall institute an Environmental and Social Management System (ESMS) appropriate to the nature and scale of the Project and commensurate with the level of its environmental and social risks and impacts in accordance with Good Industry Practices.
- The client shall establish, as appropriate, an overarching policy defining the environmental and social objectives and principles that enable the Project to achieve sound environmental and social performance.
- The client shall designate specific personnel, including management representative(s), with clear lines of responsibility and authority to maintain and implement the ESMS.

3.2 TADB Performance Standard 2: Labour and Working Conditions

This Performance Standard (PS) recognises that for clients and their business activities, the workforce is a valuable asset, and that good human resources management and a sound worker-management relationship based on respect for workers' rights, including freedom of association and right to collective bargaining, are key ingredients to the sustainability of business activities.

Objectives

The objectives of this PS are to:

- respect and protect the fundamental principles and rights of workers;
- ensure fair treatment, non-discrimination, and equal opportunities of workers in accordance with the decent work agenda;
- establish, maintain and improve a sound worker-management relationship;
- ensure compliance with national labour and employment laws and any collective agreements to which the client is a party;
- protect women and men at work, including vulnerable workers such as young workers, persons with disabilities, migrant workers and refugees, workers engaged by third parties, and workers in the client's supply chain;
- prevent the use of forced labour and child labour (as defined by the International Labour Organisation (ILO)); and
- ensure that accessible and effective means to raise and address workplace concerns are available to workers.

Scope of Application

This PS establishes requirements for clients with respect to all Project workers, including fulltime, part-time, temporary, fixed-term, seasonal and migrant workers, whether engaged directly by the client or by a third party, and sets out specific requirements for primary suppliers. Project workers are those workers who work on a Project site or perform work directly related to the core functions of a Project.

Requirements

- The client will adopt and/or maintain written human resources policies and management systems or procedures appropriate to its size and workforce setting out its approach to managing the workforce in accordance with the requirements of this PS and national law. These policies and procedures shall be understandable, accessible, and communicated to workers, and in the main language(s) spoken by the workforce.
- The client will not employ children in a manner that is economically exploitative, or is likely to be hazardous 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. Young people below the age of 18 years will be identified by the client and will not be employed in hazardous work. All work of persons under the age of 18 shall be subject to an appropriate risk assessment prior to the work commencing and regular monitoring of health, working conditions, and hours of work.

- The client will not employ forced labour, which consists of work or service not voluntarily performed that is exacted from an individual under threat of force or penalty, including through abusive and fraudulent recruitment practices. This includes involuntary or compulsory labour, such as indentured labour, involuntary prison labour, bonded labour or similar labour-contracting arrangements, or trafficking in persons.
- The client will provide an effective grievance mechanism for workers (and their organisations, where they exist) to raise workplace concerns. The client will inform the workers of the grievance mechanism at the time of hiring, and make it easily accessible to them. The mechanism will involve an appropriate level of management and address concerns promptly, using an understandable and transparent process that provides timely feedback to those concerned, without any retribution.
- The client will identify risks associated with the recruitment, engagement, and demobilisation of Project workers by third parties and establish commensurate policies and procedures for managing and monitoring the performance of third party employers in relation to the Project and requirements of this PS. In addition, the client will use reasonable efforts to incorporate these requirements in contractual agreements with such third party employers and where relevant, will develop and implement a contractor management plan.

3.3 TADB Performance Standard 3: Resource Efficiency and Pollution Prevention and Control

This PS promotes a project-level approach to managing climate impacts, greenhouse gas emissions, resource efficiency, and pollution prevention and control. It is guided by the mitigation hierarchy and the “polluter pays” principle, requiring projects to assess risks and impacts related to resource use, waste generation, and emissions in consideration of project location and local environmental conditions. Projects are expected to adopt appropriate mitigation measures, technologies and operational practices that enhance efficient resource use, prevent and control pollution, and avoid, minimize, or reduce GHG emissions.

Objectives

The objectives of this PS are to:

- adopt the mitigation hierarchy approach to addressing adverse impacts on human health and the environment arising from the resource use and pollution released from the Project;
- avoid, minimise and manage Project- related GHG emissions;
- avoid, minimise and manage the risks and impacts associated with hazardous substances and materials, including pesticides; and
- identify, where feasible, Project-related opportunities for resource efficiency improvements.

Scope of Application

This PS applies to all Projects directly financed by TADB as established in the Environmental and Social Policy. The client will as part of its environmental and social assessment process, identify the relevant requirements of this PS, and how they will be addressed and managed throughout the Project life cycle. The implementation of the actions necessary to meet the requirements of this PS will be managed under the client’s overall environmental and social management system (ESMS) and the Project specific environmental and social management plan (ESMP).

Requirements

- The client will integrate resource efficiency measures and the principles of cleaner production into product design and production processes with the objective of conserving raw materials, energy and water and avoiding and reducing the generation of waste materials.
- In all activities directly related to the Project, the client will avoid or minimise the use of hazardous substances and materials, and consider the use of less hazardous substitutes for such substances and materials to protect human health and the environment from their potentially harmful impacts. Where avoidance or substitution is not feasible, the client will apply appropriate risk management measures in order to minimise or control the release of such substances/materials into air, water and/or land resulting from their production, transportation, handling, storage, use and disposal relating to Project activities.

3.4 TADB Performance Standard 4: Health, Safety and Security

This Performance Standard (PS) recognises the importance of managing health, safety and security risks to workers, Project-affected communities and consumers associated with Project activities, in accordance with the hierarchy of risk control. By providing workers with safe, healthy and secure working conditions, clients may create tangible benefits, such as enhancement of the efficiency and productivity of their operations.

Objectives

The objectives of this PS are to:

- protect and promote the health, safety and security of workers, by ensuring safe, healthy and secure working conditions and implementing a management system, appropriate to risks associated with the Project; and
- identify, assess, and manage health, safety and security risks to Project- affected communities and consumers during the Project life cycle from both routine and non-routine activities.

Scope of Application

This PS applies to all Projects financed by the TADB as established in the Environmental and Social Policy. The client will as part of its environmental and social assessment process, identify the relevant requirements of this PS, and how they will be addressed and managed through the Project life cycle. The potential risks to the workers and Project- affected communities may vary according to the stage of the Project, including mobilisation, construction, commissioning, operation, maintenance and decommissioning or closure and reinstatement. The implementation of the actions necessary to meet the requirements of this PS is managed as an integral part of the client's overall environmental and social management system (ESMS) and/or the Project specific environmental and social management plan (ESMP), as provided in PS 1.

Requirements

- The client will adopt measures to identify and prevent accidents, injury and ill-health to workers and Project-affected communities arising from or associated with, or occurring in carrying out Project activities, and prepare and implement preventive and protective measures and plans to manage health and safety risks in accordance with the hierarchy of risk control and in accordance with good international practice.

- The client will provide workers and Project- affected communities with relevant information, instruction and training relating to health and safety hazards, risks, protective and preventive measures and emergency arrangements that are necessary for their health and safety throughout the Project.
- Where any accidents, injury and ill health occurs in the course of works associated with the Project, or there is a potential of such event, the client will investigate, document, analyse the findings, adopt measures to prevent reoccurrence and, where required by law, notify and cooperate with the relevant authorities. The client will ensure appropriate financial compensation for any persons suffering injury or ill health that is caused by Project activities.

3.5 TADB Performance Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

This Performance Standard (PS) addresses impacts of Project-related land acquisition, including restrictions on land use and access to assets and natural resources, which may cause physical displacement (relocation, loss of land or shelter), and/ or economic displacement (loss of land, assets or restrictions on land use, assets and natural resources leading to loss of income sources or other means of livelihood). The term “involuntary resettlement” refers to both of these impacts and the processes to mitigate and compensate these impacts. Resettlement is considered involuntary when affected persons or affected communities do not have the right to refuse land acquisition or restrictions on land use, other assets and natural resources, even if compulsory acquisition is used only as a last resort after a negotiated process.

Objectives

The objectives of this PS are to:

- avoid involuntary resettlement or, when unavoidable, minimise involuntary resettlement by exploring feasible alternative Project designs and sites;
- avoid forced eviction;
- mitigate unavoidable adverse social and economic impacts from involuntary resettlement on affected persons by: (i) providing timely compensation for loss of assets at full replacement cost; and (ii) ensuring that land acquisition, restrictions on land use, other assets and natural resources and involuntary resettlement activities are implemented with meaningful consultation, participation, and disclosure of information, in accordance with the requirements of PS 10;
- improve, or as a minimum restore the livelihoods and standards of living of affected persons compared to pre- displacement levels; and
- improve living conditions of physically displaced persons through the provision of adequate housing (including essential services and utilities) with security of tenure at resettlement sites.

Scope of Application

The applicability of this PS is established during the environmental and social impact assessment process described in PS 1.

Requirements

- The client shall consider feasible alternative Project designs and sites to avoid or at least minimise physical and/or economic displacement. Avoidance is the preferred approach in accordance with the

mitigation hierarchy in PS 1. It is especially important to avoid physical or economic displacement of those socially or economically vulnerable.

- Where land acquisition or restrictions on land use, other assets and natural resources (whether permanent or temporary) cannot be avoided, the client will offer compensation to affected persons at full replacement cost, and other assistance as may be necessary to help them improve or at least restore their standards of living and livelihoods, subject to the provisions in this PS.
- The client shall establish an effective grievance mechanism as early as possible in the land acquisition and resettlement process, and at the latest prior to the census taking place in order to address specific concerns about compensation, relocation or livelihood restoration measures raised by displaced persons (or others) in a timely manner. The grievance mechanism shall be consistent with the objectives and principles pertaining to grievance management contained in PS 10. It shall include a recourse mechanism designed to resolve disputes in an impartial manner. The outcomes of the grievance mechanism (including numbers of grievances received, resolved and outstanding) shall be reflected in monitoring reports.

3.6 TADB Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources

This Performance Standard (PS) recognises that the conservation of biodiversity and sustainable management of living natural resources are fundamental to environmental and social sustainability.

Objectives

The objectives of this PS are to:

- protect and conserve biodiversity using a precautionary approach;
- adopt the mitigation hierarchy in the design and implementation of Projects with the aim of achieving no net loss, and where appropriate, a net gain of biodiversity;
- maintain ecosystem services; and
- promote good international practice in the sustainable management and use of living natural resources.

Scope of Application

This PS applies to all Projects directly financed by the TADB as established in the Environmental and Social Policy. The client will as part of its environmental and social assessment process, identify the relevant requirements of this PS, and how they will be addressed and managed through the Project life cycle. The implementation of the actions necessary to meet the requirements of this PS will be managed under the client's overall environmental and social management system (ESMS) and Project specific environmental and social management plans (ESMPS) to structure the Project to meet this PS within an acceptable timeframe. The environmental and social assessment and management requirements are provided in PS 1.

Requirements

- The assessment process will characterise the baseline conditions to a degree that is proportional and specific to the anticipated risk and significance of impacts.
- In accordance with GIP, the assessment will consider: (i) the Project's potential impacts on ecosystem services, including those that could be exacerbated by climate change; (ii) the use of, and dependence

on, these ecosystem services by potentially affected communities and/or indigenous peoples; and (iii) the Project's dependence on these ecosystem services.

- Where the assessment has identified potential Project related impacts to biodiversity, the client will manage its risks in accordance with the mitigation hierarchy and GIP. The client will adopt a precautionary approach and apply adaptive management practices in which the implementation of mitigation and management measures are responsive to changing conditions and the results of Project monitoring throughout the Project lifecycle.

3.7 TADB Performance Standard 7: Indigenous Peoples

This Performance Standard (PS) recognises that indigenous peoples are social groups with identities and livelihoods that are distinct from dominant groups in national societies. They may be among the most marginalised and vulnerable segments of the population. Their economic, social and legal status may limit their capacity to defend their rights to and interest in lands and resources (both natural and cultural). This combined with their economic and spiritual dependence on these lands and resources may make them particularly susceptible to any adverse impacts of Projects. This PS also acknowledges that indigenous peoples have unique knowledge and abilities and are potential partners in sustainable development both contributing to and benefiting from the planning and implementation of Project-related activities.

Objectives

The objectives of this PS are to:

- ensure that Projects fully respect the dignity, rights, aspirations, cultures, customary laws and livelihoods of indigenous peoples;
- promote sustainable development benefits and opportunities for indigenous peoples in a manner that is accessible, culturally appropriate and inclusive to indigenous men and women;
- establish and maintain an ongoing relationship with the indigenous peoples affected by a Project throughout its lifecycle; and
- ensure the effective participation of indigenous peoples in the design of Project activities or mitigation measures that could potentially affect them either positively or negatively.

Scope of Application

In this PS, the term "indigenous peoples" is used in a technical sense to refer to a social and cultural group, distinct from dominant groups within national societies, possessing all of the following characteristics:

- self-identification as members of a distinct indigenous ethnic or cultural group and recognition of this identity by others;
- collective attachment to geographically distinct habitats, traditional lands or ancestral territories in the Project area and to the natural resources in these habitats and territories;
- customary cultural, economic, social, or political institutions, laws or regulations that are separate from those of the dominant society or culture; and
- a distinct language or dialect, often different from the official language or dialect of the country or region.

Requirements

- The client will establish the applicability of this PS as early as possible in the Project lifecycle but no later than during the environmental and social assessment process.
- In Projects where indigenous peoples are likely to be affected, the client will carry out an assessment of impacts on indigenous peoples. The client will first avoid adverse effects and where this is not feasible, prepare a development plan to minimise and/ or mitigate any potential adverse impacts and identify benefits.
- The client will ensure that the grievance mechanism established for the Project, as described in PS 10 is culturally appropriate and accessible for indigenous peoples and takes into account the availability of judicial recourse and customary dispute-settlement mechanisms.

3.8 TADB Performance Standard 8: Cultural Heritage

This Performance Standard (PS) recognises the importance of cultural heritage for present and future generations. The aim is to protect cultural heritage and to guide clients to avoid or mitigate adverse impacts on cultural heritage in the course of their business operations. The clients are required to be precautionary in their approach to the management and sustainable use of cultural heritage.

Objectives

The objectives of this PS are to:

- support the protection and conservation of cultural heritage;
- adopt the mitigation hierarchy approach to protecting cultural heritage from adverse impacts arising from the Project;
- promote the equitable sharing of benefits from the use of cultural heritage in business activities; and
- where significant elements of cultural heritage are identified, promote the awareness, appreciation and enhancement of cultural heritage as well as potential socioeconomic benefits for local communities.

Scope of Application

The requirements of this PS are applicable to cultural heritage irrespective of whether or not it has been legally protected or previously disturbed. With regards to, intangible cultural heritage, the requirements of this PS apply only if the physical component of the Project will have a material impact on such cultural heritage or if the Project intends to use such cultural heritage for commercial purposes.

Requirements

- At an early stage of the environmental and social assessment, the client will identify if any cultural heritage is likely to be adversely affected by the Project, and assess the likelihood of any chance finds. In doing so, the client will consult with relevant authorities, experts, local communities and other stakeholders as appropriate.
- The assessment process will characterise the baseline and the potential risks and impacts of the Project on cultural heritage. The extent of the assessment will be sufficient to characterise the potential significance, likelihood and severity of the impact and take into account the views of key

relevant stakeholders. The client will develop and implement mitigation measures to address impacts on cultural heritage in accordance with the mitigation hierarchy and good international practice.

3.9 TADB Performance Standard 9: Financial Intermediaries

This Performance Standard (PS) recognises that financial intermediaries (FIs) are a key instrument for promoting sustainable financial markets and provide a vehicle to channel funding to the micro, small and medium-sized enterprise sector. The nature of intermediated financing means that the FIs will assume delegated responsibility for environmental and social assessment, risk management and monitoring as well as overall portfolio management.

Objectives

The objectives of this PS are to:

- set out how FIs will assess and manage environmental and social risks and impacts associated with the sub-Projects they finance;
- promote good environmental and social management practices in the sub-Projects financed by FIs; and
- promote good environmental and sound human resources management within FIs.

Scope of Application

For the purposes of this PS, the term “sub- Project” refers to the investments or activities, as the case may be, eligible to be financed by the FI utilising the funds provided by the Bank under an FI Project.

Requirements

- The FI will maintain human resources policies, management systems and practices in accordance with PS 2 (Labour and Working Conditions) and will comply with the relevant occupational health and safety requirements of PS 4 (Health, Safety and Security).
- The FI will put in place a clearly defined environmental and social management system (ESMS) including an environmental and social policy and environmental and social procedures commensurate with the nature of the FI, and the level of environmental and social risks associated with sub-Projects.
- The FI will submit, in a form acceptable to TADB, annual environmental and social reports on the implementation of its ESMS, this PS, PS 2, the relevant occupational health and safety requirements of PS 4, as well as the environmental and social performance of its portfolio of sub-Projects.

3.10 TADB Performance Standard 10: Information Disclosure and Stakeholder Engagement

This Performance Standard (PS) recognises the importance of an open and transparent engagement between the client, its workers, worker representatives, local communities and persons affected by the Project and, where appropriate, other Project stakeholders as an essential element of good international practice and corporate citizenship. Such engagement is also a way of improving the environmental, social and overall sustainability of Projects. In particular, effective community engagement, appropriate to the nature and scale of the Project, promotes sound and sustainable environmental and social performance, and can lead to improved financial, social and environmental outcomes, together with enhanced community benefits.

Objectives

The objectives of this PS are to:

- outline a systematic approach to stakeholder engagement that will help the client build and maintain a constructive relationship with their stakeholders;
- provide means for effective and inclusive engagement with Project stakeholders throughout the Project cycle;
- ensure that appropriate environmental and social information is disclosed and meaningful consultation is held with the Project's stakeholders and where appropriate, feedback provided through the consultation is taken into consideration; and
- ensure that grievances from stakeholders are responded to and managed appropriately.

Scope of Application

This PS applies to all Projects. As a minimum, all Projects will carry out stakeholder identification, develop, and implement a grievance mechanism. Further stakeholder engagement as outlined in this PS, shall be undertaken, proportionate to: the nature and scale of the Project, its stakeholders and its potential environmental or social risks and impacts.

Requirements

- Stakeholder engagement will involve the following elements: stakeholder identification and analysis, stakeholder engagement planning, disclosure of information, meaningful consultation, implementation of a grievance mechanism, and ongoing reporting to relevant stakeholders.
- The client will conduct stakeholder engagement on the basis of providing stakeholders with access to timely, relevant, understandable and accessible information, in a meaningful, effective, inclusive and culturally appropriate manner and free from manipulation, interference, coercion, intimidation and retaliation.
- Stakeholder engagement will begin as early as possible in the Project development and will continue throughout the Project life cycle. The nature and frequency of stakeholder engagement at all phases of the Project development will be proportionate to the nature and scale of the Project, its potential adverse environmental or social risks and impacts and the level of stakeholder interest.
- For Projects that are likely to be associated with adverse environmental and/or social risks and impacts, the client will develop and implement a stakeholder engagement plan (SEP) or an equivalent documented process, proportionate to the nature and scale or the risks, impacts and development stage of the Project.

4. ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT PROCEDURES

The ESMS is supported by a dedicated structure with clearly defined roles, qualified staffing, and appropriate resourcing. It is embedded within the Bank's overall risk management framework, ensuring that E&S risk management is not treated as a standalone function but as an integral component of business operations, decision-making, and compliance oversight. This approach strengthens accountability, facilitates coordination across units, and enhances the Bank's ability to ensure consistent application of safeguard requirements across its loan portfolio.

The Environmental and Social Risk Management Procedures ("Procedures") are applied in conjunction with the Environmental and Social Management Policy ("Policy") and the Performance Standards (PSs), as well as relevant processes, guidelines and tools developed by TADB.

A. ENVIRONMENTAL AND SOCIAL RISK APPRAISAL OF PROJECTS UNDER DIRECT LENDING FINANCE STRUCTURE

Environmental and Social Risk Management Procedures under Direct Lending Finance structure comprise of the following components and are integrated into the Bank's credit cycle:

4.1 Initial Screening and Application Review

Responsible: Business Development Officer (BDO)

Task: Review the client's application for compliance with the Environmental and Social (E&S) criteria, including the Bank's exclusion list as provided under Appendix 1-Annex 1.

Actions:

- **Screen against Exclusion List:** Check if the project is on the "*TADB's Environmental and Social Exclusion List*" (Appendix 1-Annex 1). If the project is on the exclusion list, inform the client and terminate the application process.
- **National Interest Projects:** If the project is of national interest, BDO shall fill in "Waiver Application Form" (Appendix 1-Annex 2) and forward the application to the Head of Risk and Compliance for onward submission to the Managing Director who shall refer the application to the Credit Committee (CREDCO) for a decision, regardless of the credit amount.
- **Proceed if No Exclusion:** If the application does not involve an excluded activity, proceed to Step 2.

4.2 E&S Risk Categorization

Responsible: BDO supported by E&S Specialist.

Task: Identify the appropriate E&S Risk category for the project (A, B, or C) according to the Environmental and Social Management Policy (Policy).

Actions:

BDO to go through "E&S Risk Categorisation" (*Appendix 1-Annex 3*) to identify the appropriate "E&S Risk Category" based on the relevant sector of the client business operation. The E&S risk level of the beneficiary's business sector will be based on the following categorization.

Category	Description
A (High Risk)	A project is categorised A when it could result in potentially significant environmental and/or social impacts, including direct and cumulative environmental and social impacts, which are new and additional and, at the time of categorisation, cannot readily be identified or assessed. Projects categorised as A require a formalised and participatory environmental and social impact assessment process. A list of Category A projects is presented in Appendix 1-Annex 3.
B (Medium Risk)	A project is categorised B when its potential environmental and/or social impacts are typically site-specific, and/or readily identified and addressed through effective mitigation measures. The scope of environmental and social appraisal will be determined is provided under Appendix- Annex 3.
C (Low Risk)	A project is categorised C when it is likely to have minimal or no potential adverse environmental and/or social impacts. Guidance has been provided under Appendix 1-Annex 3.

4.3 Initial Environmental and Social Examination (IESE)

Responsible: BDO, supported by E&S Specialist

Task: To determine the scope of appraisal project categorisation.

Actions:

- **Conduct IESE:** Review environmental and social information such as ESIA, etc., discuss with the client, to understand the project and its potential impacts better.
- **Defining the Scope of E&S Appraisal:** The BDO, supported by the E&S Specialist, defines the scope of E&S appraisal as provided in Annex 3, which is summarised in the table below.

Category	Description
A (High Risk)	The following should be observed: - (a) If credit application falls under any activity in this category, the application is considered a High Risk (at least one YES) (b) Go to Performance Standards in Annex 4- E&S Risk Assessment and answer all the questions as appropriate. (c) EIA is required in this Category A. (d) If the Credit Application does not fall under this category, proceed to activities in Category B below.
B (Medium Risk)	The following should be observed: - (a) If credit application falls under any activity, the application is considered a Medium Risk (at least one YES) (b) For Loan not associated with the project such as pre-harvest and post-harvest loans on existing farms, complete Performance Standard 2 & 4 in Annex 4-E&S Risk Assessment. (c) For a loan associated with project (other than those under b) go to Performance Standards in Annex 4-E&S Risk Assessment and answer all the questions as appropriate.

	(d) If the Credit Application does not fall under this category, proceed to activities in Category C below.
C (Low Risk)	<p>The following should be observed: -</p> <p>(a) If credit application falls under any activity, the application is considered a Low-Risk Category (at least one YES).</p> <p>(b) For Loan not associated with the project such as pre-harvest and post-harvest loans on existing farms, there is no need of E&S assessment, therefore indicate N/A for Performance Standards in Annex 4-E&S Risk Assessment.</p> <p>(c) For a loan associated with project (other than those under b) complete Performance Standard 2 & 4 in Annex 4-E&S Risk Assessment.</p> <p>(d) EIA is also not required.</p>

4.4 E&S Risk Assessment (ESRA)

4.4.1 Review of Existing Information

Responsible: BDO, supported by E&S Specialist

Task: Begin the ESRA by conducting appraisal depending on the risk categorisation and outcome of IESE.

Actions:

Client's Information Review: Ensure all necessary information is provided by the client, including environmental screening reports (if available for early involvement of projects), certificates of compliance from relevant authorities such as the National Environmental Management Council (NEMC) and the Occupational Safety and Health Authority (OSHA), where applicable.

4.4.2 Initial Site Visit

Responsible: BDO, supported by E&S Specialist

Task: Determine the need for a site visit based on the nature of the project and the information received from the client.

Actions:

Conduct Site Visit: If necessary, conduct a site visit to assess the situation on the ground.

4.4.3 Commissioning E&S Risk Assessment (ESRA)

Task: Conduct ESRA where applicable depending on the outcome of IESE and site visit.

Actions:

- A site visit and discussions with relevant project officers to complete the information collection and validation.
- Depending on the category of the project, conduct E&S Risk Assessment using performance standards and complete Annex 4.
- Assign rating of the projects after considering compliance to applicable performance standards.

4.5 Stakeholder Engagement

Responsible: Client and E&S Specialist

Task: Ensure client's compliance with Tanzanian laws and regulations relevant to the respective business conducted (agriculture, livestock, fishing) along with environment in general which require taking into account interest of local communities engaged in or affected by the proposed undertakings, identify stakeholders, establish a grievance mechanism, and disclose project risks, especially for Category A projects and those involving displacement or Indigenous Peoples.

Actions:

Clients are required to comply with the applicable requirements of Tanzanian laws and regulations relevant to the respective business conducted (agriculture, livestock, fishing) along with environment in general which require taking into account interest of local communities engaged in or affected by the proposed undertakings. As an integral part of the assessment process, the Clients are also required to identify people affected by projects and relevant stakeholders as well as to establish a grievance mechanism to receive and facilitate resolution of stakeholders' concerns and grievances, in particular about environmental and social performance of the client and the project.

4.6 Action Plans

Responsible: Client and BDO supported by E&S Specialist

Task: Develop and implement a program of actions based on ESRA findings and outcomes of stakeholder engagement to address identified E&S risks and impacts.

Actions: (Refer to "Appendix 1-Annex 4")

- Preparation of an ESAP for medium and high-risk project by the client including feasible and cost-effective measures to achieve compliance with the Bank's PSs within a timeframe acceptable by the Bank.
- BDO should ensure that the Credit Appraisal (CA) report is supported by an E&S section (Appendix 1-Annex 4) stating the findings of the ESRA.
- E&S Specialist should ensure that appropriate environmental representations, waivers and covenants are incorporated in each loan agreement.

4.7 Project Approval

Responsible: Credit Appraisal Officers, Credit Committee (CREDCO) Board of Directors, and Board Business Committee (BBC)

Task: Review and approve projects for financing, considering environmental and social issues as part of the overall project assessment.

• **Documentation Preparation by BDO:**

- The Board documentation typically includes environmental and social information of the same scope and content as the Credit Appraisal Report. This information is updated as necessary before submission to the Board.

- **Post-Approval Environmental and Social Appraisal:**

- In exceptional cases, the Board of Directors may allow certain elements of environmental and social appraisal to take place after Board approval and after signing the financing agreements, provided that appropriate contingencies or obligations are included in the financing agreements.
- The Board documentation in these cases will describe the approach, disbursement, and implementation conditions related to further environmental and social appraisal. The Board will evaluate the overall impacts, risks, and benefits of this approach and may request additional information once the appraisal is completed.

4.8 Preparation of Loan Agreements

Responsible: Legal Service Officer, Credit Appraisal Officer, BDO, supported by E&S Specialist

Task: Submit projects for approval based on financing thresholds and ensure E&S issues are considered in decision-making.

Actions:

Finalize Agreements: Review E&S provisions as agreed by the approving bodies (CREDCO/Board) before finalizing and signing loan agreements.

4.9 E&S Risk Monitoring

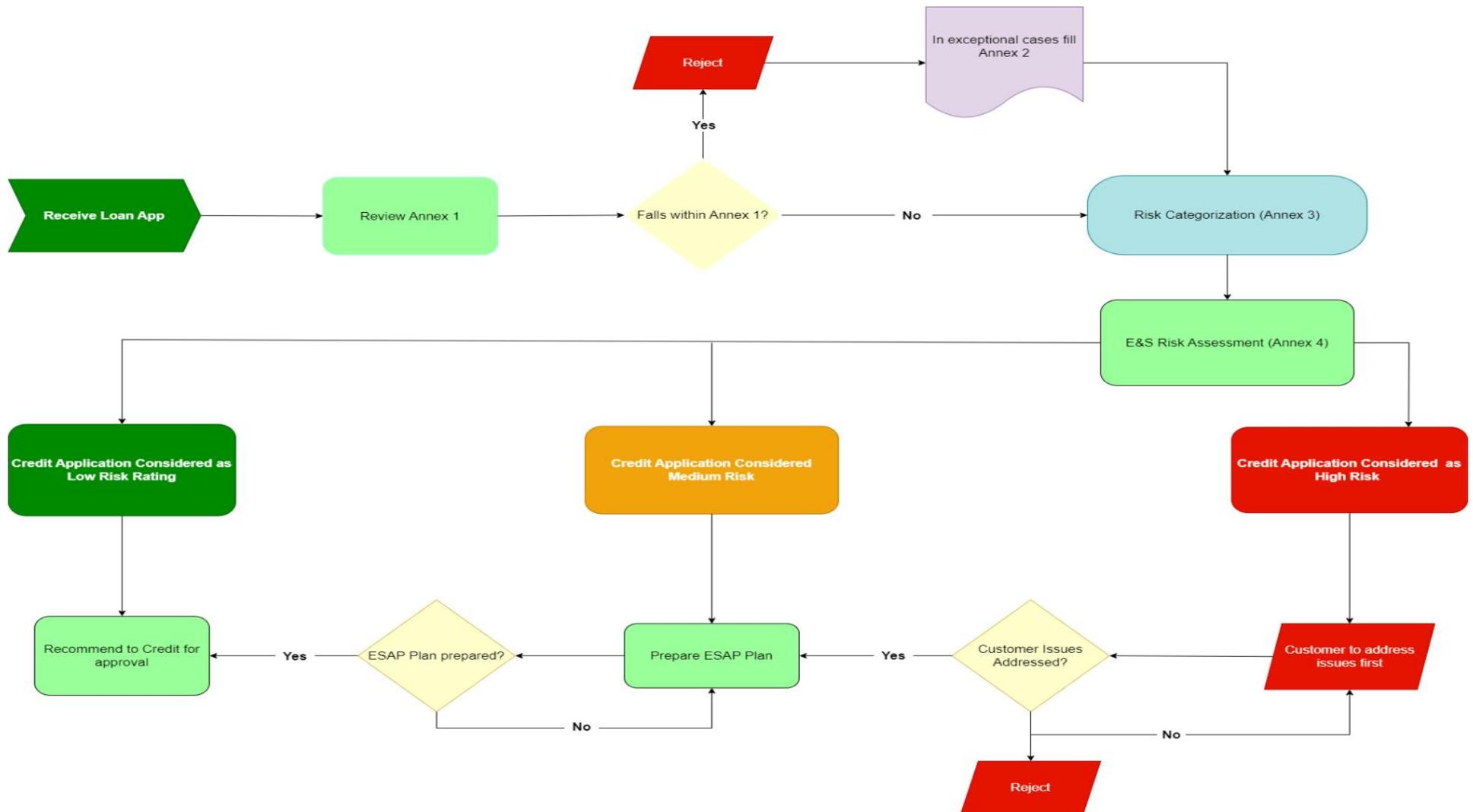
Responsible: E&S Specialist supported by BDOs

Description: ESRA process should be completed, and the Environmental and Social Action Plan (ESAP) agreed upon with the client for medium and high-risk projects before the final internal management review stage, known as the "Final Approval." This enables E&S Function to inform TADB's decision-making bodies, such as the Credit Committee (CREDCO) and Portfolio Review Committee (PRC), about significant environmental and social issues existing within the projects the Bank is considering to finance and those that exist in the Bank's portfolio.

Task: Supervise portfolio projects' ongoing compliance with the applicable requirements such as ESAP, projects' conditions from the regulatory bodies, Bank's financial donors etc., on a timeline that the Bank seems fit.

Actions:

- Conducting site visits, monitoring the implementation of E&S action plan (if any) by the clients, reviewing clients' annual reports, and recording clients' E&S ongoing performance.
- Resolving E&S issues in case of non-compliance, and where needed, preparing a time-bound corrective action plan with specific follow-up procedures.
- Prepare environmental and social performance reports.



Process flow for E&S Risk Assessment for direct lending

B. ENVIRONMENTAL AND SOCIAL RISK APPRAISAL OF PROJECTS UNDER INDIRECT LENDING FINANCE STRUCTURE

Projects are categorised FI, if the financing structure involves the provision of funds to Partner Financial Institution (PFI) whereby the PFI typically undertakes the responsibility for sub-project appraisal and monitoring and overall portfolio management.

FI projects generally follow the same environmental and social appraisal process as direct finance projects. However, the nature of environmental and social appraisal is adjusted to the specific characteristics of PFI.

For PFI projects, TADB will conduct due diligence on the PFI and its portfolio to assess (*Refer to Appendix 2 – E&S Assessment Tool for Partner Financial Institutions*):

- the PFI's existing environmental and social policies and procedures and its capacity to implement them;
- environmental and social issues associated with the PFI's existing portfolio and likely future pipeline of sub-projects; and
- the measures necessary to strengthen the PFI's existing environmental and social risk management system.

The ESDD for PFIs normally starts with Questionnaires, which must be completed by the respective PFI and submitted to the Agency Fund Management Officer supported by the E&S Specialist for review. Based on the information obtained through reviewing the Questionnaires completed by the PFI client, the AFMO supported by the E&SS will determine:

- whether further ESDD investigation is needed;
- is there a need for additional requirements for sub-projects other than those stated in PS9;
- whether there is a need for training to strengthen the environmental and social and/or human resources management capacity of the PFI; and
- the nature of reporting and monitoring requirements.

5. GRIEVANCE REDRESS MECHANISM (GRM)

Grievance Redress Mechanism (GRM) can be an effective tool for early identification, assessment, and resolution of complaints on projects. Understanding when and how a Grievance Redress Mechanism may improve project outcomes can help both project teams and beneficiaries improve results. The Project's activities (during construction, commissioning and operation) may result in potential nuisance and environmental and social impacts and related complaints of stakeholders. To address all those issues and potential complaints from affected parties it is required to establish the Grievance Redress Mechanism. The aim of the Grievance Redress Mechanism is establishing a system to receive record, study and facilitate resolution of the stakeholder's concerns and grievances about the project's environmental and social performance.

5.1 When the GRM considers a Complaint/Grievance admissible

- The Complaint/Grievance relates to a TADB-supported project that is under preparation, active, or has been closed for less than two years
- The Complaint/Grievance is submitted by individuals or communities affected by a TADB-supported project, or by their authorized representative; and
- The complainant(s) allege that they have been or will be affected by the TADB-supported project.

5.2 Information to include in a Complaint/Grievance

Complaints/Grievances must:

- Identify the project subject of the complaint
- Clearly state the project's adverse impact(s)
- Clearly state efforts made by the complainant to resolve the issue through the funded client or describe the situation if the complainant fears that doing so will aggravate the dispute or damage
- Identify the individual(s) submitting the Complaint/Grievance
- Specify if the Complaint/Grievance is submitted by a representative of the person(s) or community affected by the project
- If the Complaint/Grievance is submitted by a representative, include the name, signature, contact details, and written proof of authority of the representative.

Supporting evidence is not necessary but may be helpful in reviewing and resolving the Complaint/Grievance. The Complaint/Grievance may also include suggestions on how the individuals believe the Complaint/Grievance could be resolved. All Complaints/Grievances will be treated as confidential. The GRM will not disclose any personal data that may reveal the identity of complainants without their consent.

5.3 Overview of the Grievance Redress Mechanism Functions

GRM has two complementary, non-judicial and non-adversarial functions for handling Complaints/Grievances from Project Affected People and other Stakeholders:

- a) **The Problem-Solving function**, which supports dialogue between Complainers and Clients to resolve the environmental, social and public disclosure issues underlying a Complaint/Grievance, without attributing blame or fault. The Redress Mechanism engages with Project-affected People, Clients, and other stakeholders as a neutral third party, in order to help find mutually-satisfactory resolutions through flexible, consensus based problem-solving approaches; and
- b) **The Compliance function**, which determines whether TADB has complied with its Environmental and Social Management Policy. As such, the Compliance Function only deals with the compliance of the bank, rather than the compliance of the Client. GRM engages with Project affected People, bank staff, Clients and other stakeholders in order to determine whether the bank, through its actions or inactions, has failed to comply with any provision of the Environmental and Social Policy (including any provision requiring the bank to monitor Client commitments). If TADB is found to be non-compliant with its Policy, the E&S Compliance Function also proposes Project-specific and procedural changes to Bank practices to address existing non-compliance, prevent future non-compliance and promote institutional learning and capacity building.

5.4 Process for Handling Grievances

The Complaint/Grievance handling process may encompass some (but not necessarily all) of the following stages:

- a) Registration;
- b) Assessment;
- c) Option A: Problem Solving, followed by Problem Solving Agreement Monitoring, if applicable; and/or
- d) Option B: Compliance Assessment, followed by a Compliance Review and Management Action Plan Monitoring, if applicable (see **Error! Reference source not found.**).

