

**INTEGRATED SAFEGUARDS DATA SHEET
CONCEPT STAGE**

Date ISDS Prepared/Updated: 29-Jun-2014

I. BASIC INFORMATION

A. Basic Project Data

Country: South Africa	Project ID: P150008
	Additional Project ID (if any):
Project Name: Land Bank Financial Intermediation Loan	
Task Team Leader: Birgitte Gunhild Berg	
Estimated Appraisal Date: 28-Nov-2014	Estimated Board Date: 19-Mar-2015
Managing Unit: AFTFE	Lending Instrument: Financial Intermediation Loan
Sector: General finance sector (30%), General agriculture, fishing and forestry sector (20%), SME Finance (50%)	
Theme: Rural markets (60%), Other Financial Sector Development (40%)	
IBRD Amount (US\$m.): 100	
IDA Amount (US\$m.):	
GEF Amount (US\$m.):	
PCF Amount (US\$m.):	
Other financing amounts by source:	
Environmental Category: FI-2 – Financial Intermediary Assessment	
Simplified Processing	Simple <input type="checkbox"/> Repeater <input type="checkbox"/>
Is this a transferred project	Yes <input type="checkbox"/> No <input type="checkbox"/>

B. Project Objectives

The project's development objective is to scale up Land Bank's wholesale financing, specifically to emerging farmers, and to strengthen its institutional capacity.

C. Project Description

The proposed project will be a financial intermediary loan (FIL) of about USD 100 million to Land Bank as the borrower and implementing agency with a guarantee of the Republic of South Africa. The project has the following two components:

Component 1: Line of Credit (LOC) for Agricultural Financing (USD 99 million). The objectives of the LOC component are to:

- **Support Land Bank in refocusing its operations on wholesale lending.** Land Bank uses both wholesale and direct lending under the Retail Emerging Markets (REM) and Business and Commercial Banking (B&CB) business lines, while Retail Commercial Banking (RCB) is exclusively focused on direct lending. Given Land Bank's limited branch network, wholesale lending is more sustainable because it helps Land Bank leverage the network of financial intermediaries without incurring significant operating costs. In addition, wholesale lending allows Land Bank to play a market enabling role because it permits agricultural borrowers to build credit history with financial intermediaries and improve their financial records for commercial loans, thus improving their ability to gain access to credit.
- **Help expand the REM business line of Land Bank, which focuses on improving access to credit along with extension services for emerging farmers, in a sustainable manner.** The REM business line – which is exclusively focused on lending to emerging farmers for development purposes currently accounts for about 1 percent of Land Bank lending. The LOC will help Land Bank in expanding this segment. This will also help in scaling up the provision of non-financial services, such as agricultural extension services that are being effectively delivered by Land Bank intermediaries.

To achieve the above objectives, this component will finance wholesale lending by Land Bank for its REM and B&CB business lines. Land Bank will on-lend the funds to participating financial intermediaries (PFIs) which comply with eligibility criteria agreed with the World Bank. The PFIs will on-lend funds to eligible agriculture enterprises, farmers including emerging farmers, communal property associations and other eligible borrowers supported under the REM and B&CB business lines. The LOC will help Land Bank expand financing particularly under REM.

Component 2: Capacity Building to strengthen Land Bank's institutional capacity (USD 1 million). The objective of this component is to support Land Bank in expanding its share in agriculture financing in a sustainable manner and to strengthen Land Bank's asset-liability management.

D. Project location and salient physical characteristics relevant to the analysis of environmental and social risks and impacts (if known):

The Project will be national in scope, targeting Participating Financial Intermediaries who will on-lend to eligible agriculture enterprises, farmers including emerging farmers, communal property associations and other eligible borrowers supported under the REM and B&CB business lines. The sub-loans will target project activities in the agriculture sector. However, the exact location or types of agriculture activities that will be supported under the project will be determined during the project preparation and appraisal. The WBG Exclusion List will be applicable in selecting the activities to be supported by the project. The Land Bank will review the operations of borrowers/investees, where they present Environmental and Social risks, for compliance with national Environmental and Social laws and regulations where they exist and are applicable. Environmental risks and impacts inherent to the agriculture sector are largely related to effluent discharges from use of chemicals for agro-processing, waste generated from agro-processing activities, use of pesticides and their likely impacts on land and water

resources, including general health and safety of workers. Social risks can include possible displacement of on-farm landworkers, either through intensification of cultivation or through land acquisition. During project preparation the team will assess the adequacy of the existing Land Bank's Environmental and Social Management System (ESMS) and their capacity to carry out due diligence of the PFIs to ensure that the ESMS is in compliance with the World Bank's Performance Standards. In addition, the team will determine whether a customized Environmental and Social Operations Manual will be necessary for each Participating Financial Institution (PFI) or if a uniform manual can be used for Land Bank and all the PFIs.

E. Borrower's Institutional Capacity for Effective SEMS:

The Project is categorized as F1-2 – moderate environmental and social risks and impacts. This is in line with OP/BP 4.03 World Bank's Performance Standards for the Private Sector Projects which were adopted from the IFC Performance Standards in May 2013. The Land Bank loan, as a financial intermediary loan, is a good candidate for using the World Bank Performance Standards, given that the loan is designated for subprojects which will be implemented by the private sector.

The Land Bank, a new client to the World Bank, will be the implementing agency for the project. Currently, the Land Bank has an Environmental and Social Management System in place which was developed to meet the safeguard requirements of the African Development Bank loan. The system includes a draft Environmental and Social Management Policy and draft guidelines for Environmental Impact Assessment. As a state-owned bank, Land Bank is obligated to comply with South Africa's national environmental and social laws and guidelines. Since Land Bank is a new client, due diligence will be carried out during project preparation to assess compliance of the system to the World Bank's Performance Standards and additional measures recommended to enhance the system as necessary. If there is a need for further capacity building to support alignment with the World Bank's Performance Standards, this could be supported under the project.

Before on-lending funds to the PFI, the Land Bank will be required to carry out a due diligence of the PFI and ensure that each PFI has an ESMS system in place to screen sub-projects for environmental and social risks and their impacts before providing funds to the farmers and other eligible beneficiaries. Where necessary, guidance will be provided to assist in development of a screening mechanism. During preparation, the Bank will assess if the Land Bank's current ESMS is adequate to carry out the requisite due diligence and also if it is in compliance with the World Bank's Performance Standards and national E&S laws and guidelines.

All PFIs are exposed to some level of environmental and social risks and impacts through the activities of their borrowers/investees, which can represent a financial, legal, and/or reputational risk to the PFI. The risk associated with a PFI's lending/investment activities depends on factors such as the specific E&S circumstances associated with a borrower's/investee's operations, the sector, and the geographic context, among others. It is anticipated that many of the transactions supported in this program will be services or

investments that will have little or minimal environmental and social risks and impacts associated with them.

The Land Bank’s ESMS will incorporate relevant principles of the World Bank’s Performance Standard 1, 2, 3, 4 and 5. The scope and complexity of the ESMS will depend on the environmental and social risks and impacts of Land Bank’s lending/investment activities. With respect to Performance Standard 1, environmental risks and impacts inherent to the agriculture sector are largely related to effluent discharges from use of chemicals for agro-processing, inappropriate disposal of waste from food processing facilities, use of pesticides and their likely impacts on land and water resources, including general health and safety of workers. Social risks and impacts derive from either intensification of use of existing agricultural land or acquisition of additional land (which may have on-farm tenants who have specific rights under South African law. Land Bank must also manage the working conditions of its workforce in accordance with relevant aspects of Performance Standard 2 on Labor and Working Conditions, which in the case of this financial sector project relates to employment practices and conditions. Performance Standard 3 is triggered due to the likely use of pesticides, fertilizer and agro-chemicals that is inherent to most agricultural practices. The specific supported agricultural activities may potentially involve movement of equipment on public roads and the use of security, requiring screening under Performance Standard 4. Agricultural investments by the Land Bank should be screened with respect to Performance Standard 5 to determine whether land will be acquired. Production may also be intensified or altered on existing land, affecting on-farm laborers in terms of residence or livelihoods. Land tenants under South African law have specific rights in terms of security of tenure which are consistent with the objective of Performance Standard 5.

F. Environmental and Social Safeguards Specialists on the Team:

Kisa Mfalila, Senior Environmental Specialist (AFTN2)
 Paula F. Lytle, Senior Social Development Specialist (AFTCS)

II. PERFORMANCE STANDARDS THAT MIGHT APPLY


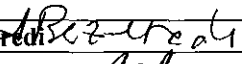
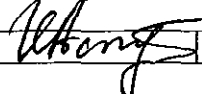
Performance Standards <i>(please explain why)</i>	Yes	No	TBD
PS 1: Assessment and Management of Environmental and Social Risks and Impacts	X		
PS 2: Labor and Working Conditions	X		
PS 3: Resource Efficiency and Pollution Prevention	X		
PS 4: Community Health, Safety, and Security	X		
PS 5: Land Acquisition and Involuntary Resettlement	X		

Performance Standards <i>(please explain why)</i>	Yes	No	TBD
PS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources		X	
PS 7: Indigenous Peoples		X	
PS 8: Cultural Heritage		X	

III. SAFEGUARD PREPARATION PLAN

- A. Target date for the Quality Enhancement Review (QER), at which time the ESRS would be disclosed and the PAD-stage ISDS would be prepared: N/A
- B. For Category C or Category FI projects that do not require an ESRS, the target date for preparing the PAD-stage ISDS: October 15, 2014
- C. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing¹ should be specified in the PAD-stage ISDS: N/A

IV. APPROVALS

<i>Signed and submitted by:</i>		
Task Team Leader:	Name: Birgitte Gunhild Berg 	Date 08/28/14
<i>Approved by:</i>		
Regional Safeguards Coordinator:	Name: Alexandra Bezeredi 	Date 08/27/2014.
Comments:		
Sector Manager:	Name: Irina Astrakhan 	Date 08/27/14
Comments:		

¹ Reminder: The Bank's Access to Information Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in-country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.