



Concept Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

Date Prepared/Updated: 06/17/2021 | Report No: ESRSC02118



BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
South Africa	AFRICA EAST	P176529	
Project Name	SADC Transfers Cleared on an Immediate Basis (TCIB) Payment Scheme Project		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Finance, Competitiveness and Innovation	Investment Project Financing		7/30/2021
Borrower(s)	Implementing Agency(ies)		
South African Reserve Bank	South African Reserve Bank		

Proposed Development Objective

The proposed project development objective (PDO) is to support payment system integration efforts in SADC countries. This will be achieved through (i) design, mobilization and deployment of low value credit scheme implemented by SADC member countries to support cross border transfers of remittances, and (ii) data subscription.

Financing (in USD Million)	Amount
Total Project Cost	0.45

B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

The proposed project will support the development of a low value credit scheme implemented by SADC member countries to support cross border remittances. The low value credit transfer system known as the Transactions Cleared on an Immediate Basis (TCIB) Payment Scheme Project has been initiated under the SADC Payment System Integration initiative. The objective is to develop a piloting kit for low-value credit transfers to streamline onboarding of banks and non-banks in the low-value credit scheme to support the transfer of cross-border remittances. The project design will include aspects such as (i) scheme governance, (ii) scheme operating model, (iii) operating structure and blueprint for the Payment System Operator, (iv) contracting framework, as well as (iv) risk management



and compliance framework. Following that, the project would implement the onboarding of at least 40 new scheme participants (banks and non-banks), develop plans for the scheme's marketing and business development, support roles, and stakeholder engagement. In addition, the project will finance one-year subscription for the Watch Banking Analytics Premium license with SWIFT that will give SADC access to a tool for analyzing the value and volume of cross-border payments and trade finance flows within SADC and between the various sub-regions of the continent. This will include training on usage of the tool and reporting requirements. The project will be implemented by South African Reserve Bank (SARB) acting on behalf of the SADC member countries and which serves as the Chair of the SADC Payment Systems Oversight Committee. The project is a small recipient executed trust fund (RETF) project using the IPF lending instrument. The financing vehicle will be the Harnessing Innovation for Financial Inclusion Trust Fund funded by the United Kingdom of Great Britain and Northern Ireland, acting through the the Foreign, Commonwealth and Development Office (FDCO), formerly the Department for International Development (DFID).

D. Environmental and Social Overview

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

The proposed project development objective (PDO) is to support a payment system integration effort in SADC countries. The activities that will be funded under the RETF project includes (i) the design, mobilization and deployment of low value credit scheme to be implemented by SADC member countries to support cross border transfers of remittances, and (ii) financing of a one-year data subscription. The project will therefore have no physical footprint as it supports the development and integration of a digital payment system and implementation framework. The project will be implemented across all 16 SADC member countries namely Angola, Botswana, Comoros, Democratic Republic of Congo (DRC), Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Eswatini, Tanzania, Zambia, and Zimbabwe.

D. 2. Borrower's Institutional Capacity

This project will be executed by South African Reserve Bank (SARB) acting on behalf of the SADC member countries and which serves as the Chair of the SADC Payment Systems Oversight Committee. In particular, SARB's National Payments System Department (with technical assistance and capacity building provided by the World Bank through a concurrent Bank-executed activity under P171721 Digital Financial Services and Regional Payments Integration ASA) will be actively involved in the implementation of the project. SARB has experience in the implementation of the World Bank RETF projects, which were financed in FY2000 and FY2003 and implemented on behalf of SADC countries. However, with the introduction of the new Environmental and Social Framework (ESF) and procurement frameworks, the PIU within SARB will require certain technical assistance in order to get on board in preparation of required documentation and process procurement aspects.

SARB has allocated three (3) senior staff members for overseeing the implementation of the project which will constitute "the PIU". Since the project is anticipated to have no or limited environmental and social impacts, the ESCP will include a requirement to identify and assign an internal resource that will be responsible for managing the environmental and social risks and impacts of the project. The E&S focal point will undergo ESF training on the relevant standards of the ESF, applicable to this project, prior to commencement of project activities and refreshers provided throughout project implementation to ensure appropriate identification and management of environmental and social risks and relevant plans.

II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS



A. Environmental and Social Risk Classification (ESRC)

Low

Environmental Risk Rating

Low

The environmental risk rating is considered to be low. The project will have no physical footprint as it supports technical assistance for the development of a digital platform (software design) and onboarding of banks and non-banks to support cost effective transfer of cross-border remittances. The development and rollout of the digital payment system to be financed by a small RETF grant activities to be financed are likely to lead to generation of small quantities of electronic and paper waste and will require the use of energy (electricity). Transfer of remittances between countries is anticipated to support livelihoods and is not likely to support activities which may have a significant impact on the environment. Future expansion of the electronic payment scheme within SADC countries may require additional or upgrading of infrastructure (internet) and facilities and may require purchasing of additional equipment which will not be financed under this project, however at this stage the impact of potential future infrastructure needs or downstream use of remittances on the environment cannot be determined at this stage of the project. The environmental impacts anticipated to be associated with the development of the digital payment system is associated with the waste generation and energy usage are predictable and considered to be minimal, predictable and short of duration and with a low probability of having any adverse impact on the environment.

Social Risk Rating

Low

The social risk rating for the Project is considered low. The potential adverse risks to and impacts on human populations are likely to be minimal or negligible due to the nature of the activities which are in form of technical assistance for software design that will not include any physical or civil works. The project is mainly expected to have positive impacts on the target transacting population from a financial inclusion perspective. The potential adverse social impacts that have been identified are 1) possible identity fraud if protection of identity and personal information is not adequately considered in the TCIB scheme design, 2) minor risks related to labor conditions and sexual harassment that may occur in the workplace and OHS risks such as travel safety and exposure to COVID-19, 3) possible risks of excluding relevant stakeholders (private and public) across the SADC region and/or different groups within the transacting population that may lead to social dissatisfaction and/or mistrust in Scheme Participants if stakeholder engagement and communication is not managed effectively. The assessment has also considered the in-house capacity to manage social risks effectively, due to the few adverse risks identified it is expected that the project will have sufficient capacity to manage these risks and impacts provided that adequate training on the relevant standards of the ESF is provided to the appointed E&S focal point prior to commencement of the project activities and refreshers provided throughout project implementation.

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

This standard is considered relevant to the project. This standard is relevant since the project includes standalone technical assistance activities funded by a small grant from a recipient executed trust fund. Negligible or limited environmental and social impacts are expected as a result of the project activities described above. The Grant will not



finance physical infrastructure facilities or develop policies/regulations/approaches that may cause, from its implementation, significant adverse environmental and social impacts. The anticipated environmental and social risks and impacts that have been identified are; 1) protection of identity and personal information will need to be considered in the TCIB scheme design due to potential cyber fraud which is a particular problem in the region, 2) Risks and impacts related to labor and working conditions is expected to be negligible as the project will only engage a small number of technical experts to manage the project and to design the TCIB Scheme, minor risks related to sexual harassment may occur in the workplace. Other labor risks anticipated are travel safety while travelling for the project (on road or via air) and exposure to COVID-19 through stakeholder engagement activities, physical meetings, etc and 3) impacts related to the generation of electronic and paper waste and energy consumption (electricity). Future infrastructure and equipment needs' (not financed under this project) and usages of remittance for activities which may have an environmental impact and cannot be determined at this stage. The environmental impacts are considered minimal as it is not foreseen that large quantities of additional electronic equipment or energy usages will be required during the implementation of the TCIB scheme. Stakeholder engagement and information disclosure will be particularly important for the project as it expands across all of the SADC member countries, involves a number of Scheme Participants (banks and non-banks), fosters collaboration between public and private sector and intends to target transacting population within SADC member countries as end product beneficiaries Information disclosure and consultations will need to be timely, relevant, understandable (including use of relevant SADC languages) and culturally appropriate. It will also be important to ensure that the low-value credit transfers reach unbanked and underbanked segments of the population in order to successfully achieve financial inclusion. To achieve this a financial inclusion strategy was developed which addresses issues of costs/fees as deserving deliberate policy actions by governments to ensure equitable access and that fees and costs do not act as barriers to vulnerable members of the population and in so address any potential non-discrimination and inequality that may arise as a result.

The ESCP will include measures to ensure that waste is managed in accordance with the requirements as set out in the relevant SADC Member State Country and that energy efficiency is considered during the selection of electronic equipment and operational activities. Furthermore, specific requirements and measures related to labor standards and stakeholder engagement and information disclosure will be articulated in the ESCP, along with the institutional arrangements, training needs and reporting requirements.

The standards that have been deemed as relevant are ESS1, ESS2, ESS3 and ESS10 and will be reflected in the ESCP. No other instruments are required due to the nature of the activities. No further Environmental and Social Assessment is necessary due to the nature of the activities and no further instruments are proposed.

Areas where “Use of Borrower Framework” is being considered:

Use of Borrower framework is not being considered.

ESS10 Stakeholder Engagement and Information Disclosure

This standard is considered to be relevant to the project. Stakeholder engagement and information disclosure will be particularly important for the project as it expands across all of the SADC member countries, involves a number of



Scheme Participants (banks and non-banks), fosters collaboration between public and private sector and intends to target the transacting population within SADC member countries as end product beneficiaries.

The key stakeholders that have been identified at this stage that are either directly affected by the project or may have an interest in the project includes SADC central banks, SARB, SADC Banking Association, banks, and non-banks in the SADC member countries who will be onboarded in the low-value credit scheme. In addition, the system will benefit the transacting population and in particular target the unbanked and underbanked population within SADC member countries.

The SARB will be required to develop a Stakeholder Engagement Plan (SEP) which identifies the various stakeholders including disadvantaged or vulnerable groups and that sets out a strategy on how they will be engaged throughout the life cycle of the project; how and what project information will be shared at the different levels; how stakeholder concerns and feedback will be considered during the project design and implementation phases and how the project intends to manage grievances through the implementation of a project Grievance Mechanism (GM). The SEP outlines means of consultation especially in a COVID-19 situation in line with World Bank guidance and relevant SADC member country policies. The SEP forms an important part of the project and will be disclosed alongside the ESCP prior to project appraisal. The Scheme Participants will be required to adopt and implement the SADC SEPs and GMs during the scheme roll out. The SEP shall allow for meaningful consultation in a participatory manner and should be tailored to ensure involvement of disadvantaged and vulnerable groups in the SADC member countries.

In accordance with the ESCP commitments, SARB and Scheme Participants will seek stakeholder feedback and opportunities for proposed future engagement, ensuring that all consultations are inclusive and accessible and through channels that are suitable in the local context. SARB and Scheme Participants will provide stakeholders with timely, relevant, understandable and accessible information, and consult with them in a culturally appropriate manner, which is free of manipulation, interference, coercion, discrimination and intimidation.

The SEP shall be disclosed by SARB and the WB prior to project appraisal.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions

This standard is considered to be relevant to the project at this stage. It is anticipated that the project will require the engagement of direct workers including SARB employees as well as contracted workers. The recipient executed component will engage three (3) senior resources working full time on the project, these persons will be engaged through SARB existing contracts. In addition, SARB will contract BankservAfrica (consultant) for the development of the project as well as onboard Scheme participants – banks and non-banks - which will implement the project in the various countries. The PIU will ensure all basic workplace occupational health and safety requirements including travel safety precautions and COVID protocols as required by the relevant laws in each SADC Member State are in place and adhere to by the direct and contracted workers.



For the direct workers engaged through SARB existing contracts, the application of ESS2 is limited to the child labor and forced labor and occupational health and safety requirements. For the contracted workers, all requirements of ESS2 apply and SARB is responsible for enforcing them by including them in the terms of contracts, along with remedies for non-compliance.

The PIU will utilize World Bank standard procurement and contracting for the consultancy firm which reflects ESS2 requirements. Key aspects of Labor Management will equally be included in the ESCP.

ESS3 Resource Efficiency and Pollution Prevention and Management

This standard is considered to be relevant to the project at this stage. The implementation of the project may lead to the generation of electronic and paper waste and will require energy (electricity) inputs to function. Only a small quantity of electronic waste will be generated through the life cycle of the project which will require proper management and disposal as not to have a of negative impact on the environment. Potential additional electricity requirements are anticipated to be negligible. The ESCP will include requirements for the development of an electronic waste disposal protocol and procurement of energy efficient electronic equipment when required.

ESS4 Community Health and Safety

This standard is considered not to be relevant to the project at this stage. The activities supported by the project do not have a physical footprint and there will be no interaction with communities, there is no potential health and safety risk or impact on communities.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

This standard is considered not to be relevant to the project at this stage. The activities supported by the project do not have a physical footprint and will therefore not require any land acquisition or community resettlement.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

This standard is considered not to be relevant to the project at this stage. The activities directly supported by the project do not have a physical footprint and will not affect any biodiversity or living natural resources.

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

This standard is considered not to be relevant to the project at this stage. The activities supported by the project do not have a physical footprint and are therefore not likely to have an Indigenous People/ Sub-Saharan African Historically underserved Traditionally Local Communities.

ESS8 Cultural Heritage

This standard is considered not to be relevant to the project at this stage. The activities supported by the project do not have a physical footprint and are therefore not likely to have an impact on any cultural heritage.



ESS9 Financial Intermediaries

This standard is considered not to be relevant to the project at this stage. The project will not make use of a financial intermediary to on lend funds to sub-projects at this stage.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways No

OP 7.60 Projects in Disputed Areas No

III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

A. Is a common approach being considered? No

Financing Partners

There is currently no other financial partner considered for the project.

B. Proposed Measures, Actions and Timing (Borrower's commitments)

Actions to be completed prior to Bank Board Approval:

The relevant Environmental and Social instruments that need to be prepared, approved and disclosed before project appraisal are the:

Draft Stakeholder Engagement Plan (SEP) including a Grievance Mechanism (GM) for the project

A draft Environmental and Social Commitments Plan including the aspects as per the section below.

Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):

Requirements for Monitoring and Reporting

Requirements for E&S risk management including Management of Scheme Participants

Requirements for protection of identity and persona information

Labor Management Procedures

Establish basic workplace occupational health and safety requirements

E-waste Protocol

Requirements for updating and finalizing the Stakeholder Engagement Plan (SEP) including a Grievance Mechanism (GM) for the project

Requirements for capacity support

IV. CONTACT POINTS



The World Bank

SADC Transfers Cleared on an Immediate Basis (TCIB) Payment Scheme Project (P176529)

World Bank

Contact: Alice Dubiwa Zanza Title: Senior Financial Sector Specialist

Telephone No: +1-202-458-8621 Email: azanza@worldbank.org

Contact: Aida Japarova Title: Operations Officer

Telephone No: +1-202-473-2985 Email: ajaparova@worldbank.org

Borrower/Client/Recipient

Borrower: South African Reserve Bank

Implementing Agency(ies)

Implementing Agency: South African Reserve Bank

V. FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

VI. APPROVAL

Task Team Leader(s): Alice Dubiwa Zanza, Aida Japarova

Practice Manager (ENR/Social) Africa Eshogba Olojoba Recommended on 10-Jun-2021 at 15:03:6 GMT-04:00