

## Notice

### DISCLOSURE OF DEVELOPMENT BANK GHANA ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM

26th April 2022, Accra, Ghana

#### A. General

Development Bank Ghana ("DBG") is a wholesale development finance institution with the mandate to support economic transformation in Ghana by increasing the availability and access to finance for SMEs in key sectors of the economy, including agribusinesses, manufacturing, and high-value services through eligible participating financial institutions (PFIs) on a financially sustainable basis. DBG is licensed by the Bank of Ghana as a Class 4 development finance institution under the Development Finance Act, 2020 (Act 1032). DBG will operate using a private sector model.

DBG has been established to provide eligible participating financial institutions with tailored financing products and services to encourage financial institutions to increase their medium- and long-term financing to Ghanaian businesses, particularly Micro, Small and Medium Enterprises (MSMEs) in agribusiness, manufacturing, ICT and high-value services, all of which, have a high potential to contribute to economic growth and diversification.

DBG, as a non-deposit taking institution will extend lines of credit and credit guarantees to MSMEs and Small Corporates through Participating Financial Institutions (PFIs) and other technical support services. DBG recognises that in the delivery of its lending and investment, it may be exposed through the PFIs to the Environmental and Social (E&S) risks associated with the business activities of the sub-borrowers and sub-projects they finance. It is anticipated that potential E&S risks associated with some of DBG's activities will be substantial (E&S risk category B+ or F1/B+). To this end, DBG has established an environmental and social management system (ESMS) to identify, manage and monitor E&S risks arising from its activities and those of its PFIs as well as their beneficiary end-borrowers.

#### B. Brief description

Ghana's pursuit of economic transformation and achieving sustainable development requires the availability of affordable capital for medium and long-term investment by the private sector. DBG has been established to provide such capital to the private sector working with financial intermediaries.

For DBG to achieve its objective, it requires adequate equity capital and debt funds. The Government of Ghana (GoG) has capitalised DBG and funding has been sourced from development finance institutions including the World Bank, European Investment Bank (EIB), KfW and the African Development Bank (AfDB).

AfDB is providing an amount of \$40 million to be used by the Government of Ghana to further capitalise DBG. This will help strengthen DBG's balance sheet and enhance its capacity to provide the much-needed support to businesses in Ghana through the following main instruments/channels:

Funding PFIs to on-lend to the Private Sector: DBG will provide long-term, local and foreign currency financing through PFIs to MSMEs and small corporates operating in agribusiness, manufacturing, ICT and high-value services. PFIs (for example, banks, Specialized Deposit-Taking Institutions (SDIs), Non-deposit-taking Institutions (NDIs) and other credit providers) will be qualified based on clear eligibility criteria encompassing regulatory compliance, corporate governance, financial soundness, operational capacity and outreach. All types of licensed financial intermediaries that express interest, meet the eligibility criteria and commit to using the DBG's funds according to agreed terms will be eligible to qualify as PFIs. DBG will be solely responsible for selecting PFIs based on a set of eligibility criteria and monitoring their compliance with DBG's financing agreement.

Technical assistance to PFIs: DBG will provide customised technical assistance to PFIs to accelerate the utilisation of the borrowed funds and develop sustainable lending approaches for the target segments. It will include the development of Monitoring and Evaluation (M&E) systems, the upgrade of risk management systems, the establishment of MSME lending units/strategies, the development of sustainable lending approaches for the target groups (for example, cash flow-based lending, gender-inclusive credit products and climate finance) and training of staff. Reputable advisory firms will support DBG in delivering the technical assistance.

Partial Credit Guarantee: DBG will support the establishment of a Partial Credit Guarantee product to de-risk a portion of the PFI's exposure on their MSME loans and increase their appetite to lend to MSMEs. Currently, Ghana's financial institutions refrain from lending to creditworthy MSMEs that lack credit histories and sufficient collateral (mainly real estate) to satisfy lenders' minimum requirements.

#### C. Beneficiaries

DBG will ultimately benefit the following groups:

- Creditworthy Ghanaian MSMEs and small corporates that lack access to finance (particularly long-term finance) to explore growth opportunities;
- MSMEs, small corporates, and women led MSMEs that lack access to long-term financing and working capital financing needed to expand their businesses create jobs for Ghanaians and contribute to economic growth; and
- PFIs that require technical assistance, wholesale financing and credit guarantees to support lending to MSMEs and grow their loan books and income to the segment.

#### D. Expected results

DBG's financing, guarantees and technical assistance is expected to yield positive economic benefits to the Ghanaian economy as it seeks to lessen the constraints of access to finance by MSMEs, a factor that is consistently identified by businesses as the top impediment to their growth. It will support creditworthy MSMEs in DBG's target sectors to invest, innovate and create high-quality jobs.

The agriculture and agribusiness sectors have strong potential for job creation for the poor, unskilled, and uneducated people in the short-term. While manufacturing generates higher-value economic activity and high-quality jobs relative to other sectors, it additionally supports non-manufacturing jobs up and down the supply chain.

#### E. Compliance with Environmental and Social Safeguards

The Board of Directors of DBG approved the Environmental and Social Management Policy and associated procedures on December 1, 2021. This policy enables DBG to align itself to best international practices and local legislation governing environmental and social issues and forms the basis of DBG's Environmental and Social Management System (ESMS). The ESMS commits the Bank to implement effective environmental and social management measures in its activities, products, and services.

DBG is committed to ensuring good environmental and social performance by integrating sustainable development in its financial and non-financial activities and by seeking to address the E&S risks of its financing and lending activities. Under the World Bank's operational environmental and social safeguard policies and national environmental legislation, the following environmental and social management system has been prepared which comprises: (i) Environmental and Social Management Policy (ESMP); (ii) Environmental and Social Management Procedure Manual; (iii) Guidelines on Environmental and Social Risk Management for PFIs.

The Bank will implement the ESMS and achieve the following objectives:

- a) Integration of environmental and social sustainability measures;
- b) Systematic assessment of impacts and risks;
- c) Monitoring, reporting and evaluation;
- d) Gender mainstreaming and lending approach;
- e) Labour and working conditions;
- f) DBG's grievance and redress mechanism; and
- g) Public disclosure.

The availability and accessibility of the approved summarised ESMS documents are available and can be consulted by any interested party at the following addresses:

Development Bank Ghana (DBG)  
Accra Financial Center 8th floor,  
Liberia Road, Accra, Ghana  
[www.dbg.com.gh](http://www.dbg.com.gh)

Ministry of Finance (MoF)  
28th February Road,  
Accra, Ghana  
<https://mofep.gov.gh>

Signed  
K. Duker

22nd April, 2022