

Technical assistance disseminates a strong culture of E&S issues –and their solutions

Teddy Deroy Director for Europe, East and North Africa – **IBIS CONSULTING**

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In emerging markets, investors systematically carry out environmental and social (E&S) assessments of the projects or companies they target. Technical assistance is invaluable in understanding such issues, which are sometimes little-known and often complex. Advice, training and the implementation of tools to provide a framework for good practices are all ways of managing E&S risks, in particular for climate, biodiversity and gender issues.

Before considering any operation, in particular in emerging markets, institutional investors (development banks, multilateral agencies, etc.), investment funds and other banking operators carry out environmental and social (E&S) assessments of the projects or companies they are thinking about investing in.

These assessments are called “E&S Due Diligence” (E&S DD) and are used to determine whether improvements are necessary in terms of the environment, health, occupational safety, employment, land, biodiversity, etc., in order to comply with both local regulations and international standards.

These standards include the E&S Performance Standards of the International Finance Corporation (IFC), the conventions of the International Labour Organization (ILO), the Guiding Principles on Business and Human Rights, the Equator Principles, as well as more thematic standards such as the Paris Climate Agreement and the 2X Challenge devoted to gender equality.

On the operational side, E&S DD makes it possible to establish a contractual Environmental and Social Action Plan (ESAP) which aims to correct any deviations from these standards.

While these assessments are very useful, they are nevertheless limited to a rapid audit of companies as they focus on the main risks. This means that E&S DD does not propose a pedagogical component to clients concerning E&S standards, or assistance for the implementation of an ESAP. So this is where technical assistance (TA) becomes essential.

PEDAGOGICAL APPROACH AND OPERATIONAL TOOLS

TA mobilizes E&S experts to assist companies at a particularly attractive cost. Consultants can give extensive training on E&S issues and how to manage them: training in IFC's E&S standards, training in conducting E&S audits, awareness-raising on gender and climate change issues, etc. This pedagogical approach concerns both the staff responsible for E&S issues and the management. Furthermore, investing in these women and men who control operations is probably the greatest E&S transformation which TA contributes to.

The development of an E&S management system (ESMS) to structure the good practices of a client is one of the other strong points of technical assistance. In practical terms, an ESMS is a set of E&S policies and procedures that provide a framework for the analyses of the risks, resources and skills, monitoring, and the management of incidents and complaints. It also makes it possible to manage certain operational aspects such as energy consumption, staff management and road safety.

In emerging markets where the culture of documented procedures is not fully established, it is essential for these ESMS to be combined with toolkits comprising registers, questionnaires and illustrated dashboards.

When the situation so requires, the technical assistance can also provide additional expertise. Consequently, for complex E&S issues where in-depth training or procedures would not be sufficient, experts specialized in these issues can be mobilized. For example, they will help negotiate agreements with indigenous peoples on the preservation of their sacred sites, help find waste disposal solutions in remote areas or prepare a mangrove restoration program.

At this time of pandemic, many development banks have deployed emergency TA on Covid-19 (advice on worker health protection, reducing redundancy plans, etc.).

REMOVING ALL THE ADMINISTRATIVE BARRIERS

While TA helps companies implement operational tools and gain a better understanding of the E&S risks they face, it should be noted that this assistance under no circumstances replaces their own obligation to comply with regulatory requirements (obtain an environmental permit, for example).

In view of the large number of TA mobilization mechanisms proposed by the various investors and the relative slowness of administrative procedures to obtain it, TA may prove to be a tool that is not well understood by the companies that could benefit from it.

Removing these barriers in order to facilitate recourse to TA is therefore the first line of development for this type of program. Promoters want to participate more in them in order to ensure more responsible development of the private sector in emerging markets, in particular for climate, biodiversity and gender issues which are still not sufficiently supported.

WORKSHOPS IN FRENCH-SPEAKING AFRICA FOR TRAINING IN IFC STANDARDS

A project that complies with environmental, social and governance (ESG) best practices is a project that is more resilient, more sustainable and more profitable. It is for this reason that development finance institutions work to disseminate ESG criteria. The crisis caused by the Covid-19 pandemic has reinforced the need to develop local capacities for the integration of these practices.

In this context, the French association RSE Développement - with support from Proparco and the environmental consulting firm Ramboll Management Consulting - organized a series of face-to-face (and online) training workshops in Côte d'Ivoire, Morocco and Senegal between December 2020 and May 2021.

These workshops last several days and combine theory and practice. They aim to train entrepreneurs, consultants and investors operating in Proparco's countries of operation in the Performance Standards of the International Finance Corporation (IFC). These workshops also make it possible to build a dynamic network of "practitioners" in French-speaking Africa. Proparco is currently working on scaling up this type of initiative with its European counterparts.

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