

**INTEGRATED SAFEGUARDS DATASHEET  
APPRAISAL STAGE**

**I. Basic Information**

Date prepared/updated: 10/28/2005

Report No.: AC1839

**1. Basic Project Data**

Country: Tanzania	Project ID: P085009	
Project Name: Tanzania - PRIVATE SECTOR COMPETITIVENESS PROJECT		
Task Team Leader: Michael D. Wong		
Estimated Appraisal Date: October 26, 2005	Estimated Board Date: December 20, 2005	
Managing Unit: AFTPS	Lending Instrument: Specific Investment Loan	
Sector: Micro- and SME finance (100%)		
Theme: Small and medium enterprise support (P)		
IBRD Amount (US\$m.):	0.00	
IDA Amount (US\$m.):	95.00	
GEF Amount (US\$m.):	0.00	
PCF Amount (US\$m.):	0.00	
Other financing amounts by source:		
<u>BORROWER/RECIPIENT</u>		10.00
		10.00
Environmental Category: C - Not Required		
Simplified Processing	Simple <input type="checkbox"/>	Repeater <input type="checkbox"/>
Is this project processed under OP 8.50 (Emergency Recovery)	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

**2. Project Objectives**

The project objective is to encourage the development of a healthy and competitive domestic private sector, measured in the number of new businesses, the growth of existing businesses and increasing formalization of informal business. This will be achieved by reducing the cost of doing business and increasing the capacity of the local private sector to participate in domestic and international markets. Private sector capacity will be developed in order to better utilize opportunities in value chains of key competitive clusters or areas of growth. Major activities will focus on improving the business environment, increasing access to finance for MSMEs, enhancing skills and entrepreneurship development, and increasing access to business services.

**3. Project Description**

The World Bank Group support under the IDA/IFC Medium and Small Enterprise Program will draw on analytical work carried out by the Government in developing its strategies, but also on the findings of the 2005 World Development Report prepared by the Bank and the Investment Climate Assessment of 2004. The project will have three areas of focus: (i) investment climate issues focused on institutions interfacing with the private sector, (ii) private sector capacity, including access to business services and business linkages. In all three areas, the proposed project would develop new approaches

and leverage or expand ongoing activities funded by bilateral and multilateral donors and (iii) access to finance, in particular for MSMEs. The activities will be closely coordinated with the bank's policy based instruments and provide the support for policy implementation. The proposed project would participate in sector wide approaches (i) Better Environment Strengthening for Tanzania (BEST) for improving the investment climate, and the Tax Administration Program (TAP) with a focus on trade facilitation; (ii) collaborate closely with the financial development program, in close collaboration with currently multi donor funded financial trust; and (iii) develop innovative approaches to skills and entrepreneurship development; and business linkages.

Component 1 (Investment climate): The objective of this component is to reduce the cost of doing business by improving the efficiency of institutions that interface with the private sector. The component should reduce the time and cost to business entry, facilitate business access to markets, enable the mobilization of assets and investments and contribute to the formalization of informal businesses. This component will be implemented by participating in a multi donor funded sector wide approach to BEST. This component shall provide support in simplifying and modernizing commercial laws, improving the capacity of various registries such as the land registration, court registry systems and rationalizing business registry, particularly in areas that involve MSMEs, and provide capacity building and enabling a modernization of the commercial legal system.

Component 2 (Improving private sector capacity, in particular MSMEs): The objective of this sub component is to increase private sector responsiveness to viable opportunities in regional and international markets. The component will focus on enabling businesses to upgrade, innovate, and improve productivity and sales. Based upon supply and value chain analyses, the component will aim to improve their linkages between large or exporting firms with smaller enterprises, thereby increasing local supply and value addition.

The component would support the private sector, in particular MSMEs, to develop their capacity to produce according to export market requirements, by providing matching grants for; (a) skills development and on the job training, (b) innovation and research, (c) business development services, and (d) certification. Based on matching grant principles the component will also establish; (i) a business linkage program to improve technology and skills development; (ii) an internship program for school leavers and (iii) a business development gateway modeled on a business plan competition for the commercialization of research and entrepreneurship training. The component will also seek to strengthen the ongoing dialogue between the public and private sector, by building on the ongoing Investors Round Table and the Tanzania National Business Council. In implementing these approaches the project will work closely with private sector initiatives with a proven track record of increasing enterprise growth in Tanzania.

Component 3 (Increase access to finance): The objective of this component is to improve the capacity of the financial sector to increase access to financial services for MSMEs. The key expected outputs will contribute to an increase in the number of loans

to SME, the total number of clients served by the financial system and an increase in savings. The access to financial services for MSMEs subcomponent will respond to needs identified in the FSAP, and discussions with Government officials, and the private sector. It will focus on providing assistance to the providers of financial services to MSMEs and other entities that serve the financial services providers. This assistance will be based on models currently being used by the IDA/IFC MSME Initiative in Kenya, Mali, and Uganda. Efforts under this subcomponent will be coordinated with Government of Tanzania's efforts in developing the SME Credit Guarantee Scheme and the efforts of the Financial Sector Deepening Trust. This subcomponent will consist of five main activities: a) supporting the expansion of commercial bank lending to MSMEs through TA and matching grants aimed at providing training and knowledge transfer to improve banks' SME-lending skills, b) encouraging the commercialization of microfinance institutions through TA and possible IFC investments, c) stimulating an increase in lease financing for SMEs (in partnership with the IFC PEP Africa Leasing Effort), d) stimulating private sector participation in housing finance through the provision of TA; and e) improving the availability and accessibility of credit information through the provision of TA to the Credit Bureau.

#### **4. Project Location and salient physical characteristics relevant to the safeguard analysis**

The project will be located primarily in urban and semi urban areas of Tanzania, as most activities are geared to manufacturing, trade and services. However, due to the demand nature of component 3, commercial agriculture may also be supported, which would take the project activities into the rural areas.

##### **E. Borrower's Institutional Capacity for Safeguard Policies [from PCN]**

The President's Office Planning and Privatization (POPP) will coordinate the overall project. The first component will be implemented through the Better Regulation Unit in the President's Office Planning and Privatization (POPP) that has been established to implement the BEST program. The second and third component will be implemented by the Tanzania Private Sector Foundation (TPSF). The units will need to be trained in safeguard policies, in order to be in a position to identify issues should they arise.

#### **5. Environmental and Social Safeguards Specialists**

Mr Thomas E. Walton (AFTSD)

<b>6. Safeguard Policies Triggered</b>	<b>Yes</b>	<b>No</b>
<b>Environmental Assessment (OP/BP 4.01)</b>		<b>X</b>
<b>Natural Habitats (OP/BP 4.04)</b>		<b>X</b>
<b>Forests (OP/BP 4.36)</b>		<b>X</b>
<b>Pest Management (OP 4.09)</b>		<b>X</b>
<b>Cultural Property (OPN 11.03)</b>		<b>X</b>
<b>Indigenous Peoples (OD 4.20)</b>		<b>X</b>
<b>Involuntary Resettlement (OP/BP 4.12)</b>		<b>X</b>
<b>Safety of Dams (OP/BP 4.37)</b>		<b>X</b>
<b>Projects on International Waterways (OP/BP 7.50)</b>		<b>X</b>
<b>Projects in Disputed Areas (OP/BP 7.60)</b>		<b>X</b>

## **II. Key Safeguard Policy Issues and Their Management**

### ***A. Summary of Key Safeguard Issues***

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:  
Environmental Category: C - Not Required

Based on the design of the project components, an environmental assessment may not be required. The environmental category assessed for this project is C. Although the project is not expected to present any specific environmental risk, IDA funds may be used to rehabilitate or refurbish existing offices and storage facilities, no new structures or expansion of exiting premises will be financed under the project. Under the investment climate component, the improvements targeted in the land component will not fund any resettlement or trigger any resettlement issues. Recognizing the achievements and functional capacity within the Environmental Protection Agency, it will be suggested and discussed with the Government that environmental assessment and management plan will apply to all infrastructure components of this Project. Appropriate reference to the environmental assessment, management plan, and implementation requirements will also be incorporated in the legal documents during appraisal.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

N/A

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

N/A

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described. As the project unfolds, the capacity for safeguard policies, if necessary, will continue to be monitored.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people. The key stakeholders are micro, small, and medium enterprises as well as the meso level institutions (financial and non-financial) that serve these enterprises. These stakeholders were consulted widely through direct meetings as well as focus groups, but no particular safeguard policy discussions were necessary.

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***B. Disclosure Requirements Date***

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**\* If the project triggers the Pest Management, Cultural Property and/or the Safety of Dams policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.**

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**If in-country disclosure of any of the above documents is not expected, please explain why:**

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***C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)***

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**BP 17.50 - Public Disclosure**

Have relevant safeguard policies documents been sent to the World Bank's Infoshop? No

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs? No

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**All Safeguard Policies**

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies? No

Have costs related to safeguard policy measures been included in the project cost? No

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies? No

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents? No

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***D. Approvals***

<b><i>Signed and submitted by:</i></b>	<b><i>Name</i></b>	<b><i>Date</i></b>
Task Team Leader:	Mr Michael D. Wong	10/28/2005
Environmental Specialist: Social Development Specialist Additional Environmental and/or Social Development Specialist(s):		
<b><i>Approved by:</i></b>		
Regional Safeguards Coordinator: Comments:	Mr Thomas E. Walton	10/31/2005
Sector Manager: Comments:	Mr Demba Ba	10/28/2005