THE UNITED REPUBLIC OF TANZANIA

BANK OF TANZANIA

ENVIRONMENTAL AND SOCIALMANAGEMENT FRAMEWORK FOR THE PROPOSED TANZANIA FINANCIAL INCLUSION PROJECT

FINAL REPORT

MAY 2018

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ACRONYMS

BDS	Business Development Services
BOT	Bank of Tanzania
CEM	Country Economic Memo
CFGs	Community Financial Groups
CITES	Convention on International Trade in Endangered Species
CRS	Credit Reporting System
DOE	Division of Environment
EAC	East African Community
ELA	Exclusion List of Activities
EMA	Environmental Management Act
E&S	Environment and Social
ESIA	Environmental and Social Impact Assessment
ESMF	Environment and Social Management Framework
ESMP	Environmental and Social Management Plan
FIP	Financial Inclusion Project
FSDT	Financial Sector Deepening Trust
FSSP	Financial Sector Support Project
GDP	Gross Domestic Product
GOT	Government of Tanzania
IDA	International Development Agency
MDAs	Ministries, Departments and Agencies
M&E	Monitoring and Evaluation
MFIs	Microfinance Institutions
MIC	Middle Income Countries
MNOs	Mobile Network Operators
MOFP	Ministry of Finance and Planning
MSMEs	Micro, Small and Medium Enterprises
NBFI	Non-Bank Financial Institutions
NEEC	National Economic Empowerment Fund
NEMC	National Environmental Management Council
NEP	National Environmental Policy
NGO	Non-Government Organizations
NPL	Non-Performing Loans
NSGRP	National Strategy for Growth and Reduction of Poverty
OP/BP	Operations Manual / Business Plan
PCC	Project Coordination Committee
PDO	Project Development Objectives
PFIs	Participating Financial Institution

PIU	Project Implementing Unit
REME	Regional Environmental Management Expert
RFP	Request for Proposal
SACCOs	Savings and Credit Cooperatives
SEC	Sector Environment Coordinator
SME	Small and Medium Enterprises
SSA	Sub-Saharan Africa
TA	Technical Assistance
TAMFI	Tanzania Microfinance Institution
TDV	Tanzania Development Vision
TIRA	Tanzania Insurance Regulatory Authority
TOR	Terms of Reference
TOT	Training of Trainers
TZS	Tanzanian Shilling
URT	United Republic of Tanzania
VICOBA	Village Community Banks
VSLA	Village Savings and Loans
WB	World Bank
WEDP	Women's Entrepreneurship Development Program
WEF	World Economic Forum

EXECUTIVE SUMMARY

Tanzania's economic growth has been strong. Tanzania has benefited from market-oriented reforms and prudent macroeconomic policies. This has contributed to real GDP growth of 6 to 7 percent since 2009. The government is pursuing an ambitious development agenda aimed at closing infrastructure gaps and supporting human development. Irrespective of the efforts to close the infrastructure gap which largely depend on the flourishing financial sector, Tanzania's financial system is still shallow, with the financial assets to GDP ratio reaching only 41 percent.

The banking sector is crowded by the presence of a large number of heterogeneous players (53 banks of different sizes, business models/specialization by clients or products and profitability), but at the same time highly concentrated. Two large banks currently control 40 percent of total bank assets. Large banks in Tanzania are usually able to generate significant profits, but many small banks are not profitable due to lack of scale, as well as limited capacity to make sound credit decisions.

In order to overcome the above challenges, the Government of Tanzania through the Bank of Tanzania (BOT) is in the process of initiating the Financial Inclusion Project (FIP) with the objective of expanding responsible access to credit for MSMEs and improve capacity for regulators, financial institutions and enterprises. The operation will have a gender focus to address the specific inclusion and access constraints faced by women in Tanzania. The FIP is a five-year project with five components: (i) Line of Credit (LOC) for MSMEs; (ii) Capacity-strengthening for MSMEs, Participating Financial Institutions (PFIs[1]) and other financial services providers; (iii) Development of Infrastructure for Financial Inclusion; (iv) Access to finance policies and prudential and market conduct regulation and supervision; and (v) Project Management, Outreach and M&E.

The LOC component will focus on provision of finance to eligible financial intermediaries to on-lend to creditworthy MSMEs and support them with relatively small investment and working capital loans. The sub-loan / finance[2] portfolio is expected to comprise subprojects that have limited environmental or social risks or impacts that are few in number - generally site-specific, largely reversible, and readily addressed through mitigation measures. The project has been categorized as Financial Intermediaries (FI) and sub projects receiving a credit line under Component 1will be no higher than given "Category B"[3] in accordance with World Bank OP 4.01 (Environmental Assessment). As a

[1] PFIs will be banks and financial institutions regulated by BoT
[2] Sub finance is used in case the PFI is an Islamic bank or PFI drawing down on the line for Islamic banking solutions
[3] All project sub-loans to the MSMEs receiving a credit line under Component 1 that may be assessed as Category A will be disqualified.

prerequisite, World Bank-funded projects but also Environmental Management Act No. 20 of Tanzania Cap 191 require an environmental and social impact assessment to identify potential impacts that might be associated with the implementation of the proposed project.

Since the specific investments under the project will not be identified until project implementation, an Environmental and Social Management Framework (ESMF) is prepared under the scope of the Operational Manual to provide guidance regarding environmental review procedures. An ESMF is required that prescribes project arrangements for the preparation, review, approval and implementation of sub-projects in order to adequately address the World Bank and national environmental and social safeguards requirements. According to the ESMF, sub-loan / finance applicants will be required to carry out an environmental screening, due-diligence (for the existing facilities) and assessment of the proposed subprojects according to the World Bank safeguard procedures, and to obtain environmental permits as prescribed by national legislation. The ESMF will be prepared by the government and disclosed on BoT and World Bank websites.The Project Implemetnation Unit (PIU) will be housed by BoT.

Methodology

The ESMF was prepared through literature review and consultations. Documents reviewed included project appraisal documents of the proposed FIP, Tanzania's policy, legal, regulatory and administrative frameworks relevant to the proposed project. For example, the National Microfinance Policy, the Banking and Financial Institution Act and National Financial Education Framework, the National Environmental Policy and National Environmental Management Act were reviewed.

Consultations with key stakeholders were undertaken on May 3, 2018 in Dar Es Salaam to ensure that the implementation of the proposed FIP takes into account the views and concerns of stakeholders. A total of 22 stakeholders from bank and financial institutions, microfinance institutions and NGOs, Government MDAs and other key institutions were consulted to obtain their views and concern about the project that should be considered during the implementation the project and E&S risk management.

Project Development Objective (PDO)

The Project Development Objective (PDO) of the Tanzania Financial Inclusion Project is to expand responsible access to credit for MSMEs and improve capacity for regulators, financial institutions and enterprises. The operation will have a gender focus to address the specific inclusion and access constraints faced by women in Tanzania.

Project Structure

The components to be funded for the total amount of US$150 million of IDA credit under the proposed project include:

- Component 1. Line of Credit (LOC) for MSMEs;

- Component 2. Capacity-strengthening for MSMEs, PFIs and other financial services providers;
- Component 3. Development of Infrastructure for Financial Inclusion;
- Component 4. Access to finance policies and prudential and market conduct regulation and supervision; and
- Component 5. Project Management, Outreach and Monitoring and Evaluation (M&E)

Policy, Legal and Institutional Framework

Tanzania policy and legal requirements
Tanzania has a good policy, legal and administrative framework for management of environmental and social as well as finance issues enshrined in the National Constitution, National Environment Management Policy and National Environmental Management Act, the Land Policy and Land Acts, The National Microfinance Policy and its implementation strategy, The Banking and Financial Institutions Act, National Financial Education Framework as well as supporting local laws and by-laws. Tanzania is also a signatory to and has ratified all major international conventions in relation to environmental and finance matters. These policies envisage that by integrating environmental and social considerations in the decision-making process in financial matters it is possible to avoid or minimize impacts associated with project implementation that may have negative effect on the environment. A few policies and laws that are relevant to the environmental and social management of the FIP are presented below.

World Bank Environmental and Social Safeguard Policies
The Bank undertakes environmental screening of each project that is proposed for WB financing, to determine the risk and appropriate extent and type of environmental assessment required. This ESMF has been designed to ensure that all sub-projects to be implemented under FIP comply with the Environmental and Social Safeguard Policies of the World Bank and all the applicable environmental policies, laws and regulations of the United Republic of Tanzania. The Environmental assessment category of the project is FI (Financial Intermediary Assessment). Under the credit line component, only sub projectswith Category B and C will be funded. The project will focus on supporting MSMEs with relatively small investment and working capital loans.The sub-loan / finance portfolio is expected to comprise subprojects that have limited environmental or social risks or impacts that are few in number - generally site-specific, largely reversible, and readily addressed through mitigation measures.

In terms of the future sub-projects, while they are not limited to specific sectors, they may include agriculture, food processing, manufacturing, trade, transport and logistics, tourism and other key sectors of the economy. Ideally, the assumption is that majority of borrowers will be micro and small – they will take small loans for their small operations. The majority of subloansare expected to be for micro and small enteprireses with average loan size of about US$ 500 and US$10,000 respectively. In the case of medium enterprises, larger investment loans (averaging US$ 50,000) could be demanded. For small to medium enterprises, most will likely take loans for scaling up production, purchasing or renovating existing facilities rather than for green field investment. In case a medium enterprise is seeking a loan, say to construct a new facility, no loan will be given to activities that will involve involuntary land acquisition, relocation and affect vulnerable groups (as recognized in Tanzania).

Potential Environmental and Social Impacts

Since the actual activities of the program and their respective sites are not yet known, the current status of the environment and the experience of similar types of projects indicate that the proposed FIP sub-projects are likely to incur environmental and social impacts that would require mitigation measures such as increase waste utilization, higher traffic volumes to the sub-project sites, greater pressure on social services and labor influx (see Chapter 5 for details).

The proposed FIP will provide opportunities for various activities which might involve renovation of hotels or office buildings, agriculture activities, petty business and any other activities performed by the MSMEs. These undertakings are expected to have environmental and social impacts in which modalities for their considerations or integration is captured within this ESMF. The FIP implementation unit should ensure integration of environmental and social considerations for the sustainability of the project.

The purpose of environmental and social screening process is to: determine whether future project activities are likely to have potential negative environmental and social impacts; determine appropriate mitigation measures for activities with adverse impacts; incorporate mitigation measures into project design; review and approve project proposals, and monitor environmental parameters during project implementation.

The environmental and social screening process will take place once sub-projects are identified for financing as part of the FIP. This will happen when PFIs decide to finance or refinance loans to MSMEs of microfinance. The steps to be followed will incorporate the requirement of both, relevant national laws and World Bank's triggered safeguards policies. In the case of finance, PFIs will screen sub projects to identify potential environmental and social impacts using the environmental and social screening form provided in this ESMF and ensure approved sub projects comply to E&S requirements. From time to time, BoT will conduct ex-poste assessment of PFIs' portfolios to ensure they are compliant. In the case of refinance, BoT will assess ex-ante the portfolios for which a loan is requested from BoT and loan applications will be approved after BoT is satisfied that the portfolio meets the E&S requirements.

Environmental and Social Management Plan (ESMP)

Given that the ESMF is prepared to establish the mechanism to determine and assess future potential adverse environmental and social impacts of sub-projects under Component 1. Borrowers whose sub projects meet the criteria for developing the ESMP (based on screening criteria) will be required to develop the plan prior to commencement of implementation of their projects. The ESMP will be implemented during implementation and operation of the FIP sub-projects to eliminate or reduce adverse environmental and social impacts, to acceptable levels. The ESMP will be part of the sub-project design and must also include the actions needed to implement these measures, including the following.

Implementation Arrangements

The GoT through MOFP is the borrower, and the project's activities will be implemented by BoT where the PIU will be housed. The PIU will also administer the line of credit and will have dedicated staff for that purpose. MoFP will borrow from the World Bank and sign an implementation agency agreement with BoT, who will manage the project and administer the line of credit on behalf of MOFP.

To ensure proper coordination and supervision of the project, a project Steering Committee (SC) will be established to provide policy guidance and oversight and a Project Coordination Committee (PCC) to provide day-to-day technical guidance and supervision of the project activities. The SC and PCC will be established by effectiveness. The SC will be the governing body responsible for the overall strategic direction and oversight of the project.

Mitigation
Based on the environmental and social impacts from the impact checklist, the ESMP should describe technical details of each mitigation measure, together with the design, description of equipment and operating procedures as appropriate.

Monitoring
Environmental and social monitoring should take place during the implementation and operational phases of the sub-projects in order to measure the effectiveness of the mitigation measures. The ESMP should include monitoring objectives that specify the type of monitoring activities that will be linked to the mitigation measures.

Stakeholders Consulted, their Views and Concerns
BoT consulted 22 stakeholders through a meeting which was held on May 3, 2018 in Dar es Salaam to get their views and concern about the project that should be considered during the implementation the project and E&S risk management. Consultations were focused on key stakeholders that are relevant to the project for the purpose of involving them in decision making process. Consulted stakeholders included representatives from banks and financial institutions, microfinance institutions and Non-Governmental Organizations (NGOs), and Government Ministries, Departments and Agencies (MDAs). Most of stakeholders support the project and would like it to start as soon as possible.

Most banks and financial institutions in Tanzania follow national environmental laws in their lending practices. However, some small banks have lower capacity in managing E&S risks. Overall, potential PFIs will require training on World Bank and National Environment Laws and regulations and how to mainstream them in their lending practices.

Conclusion and Recommendations

This ESMF has been prepared to establish the mechanism to determine and assess future potential adverse environmental and social impacts of sub-projects that are to be identified and mitigated under FIP. The ESMF provides guidance to the PIU and sub project implementers to address potential environmental and social safeguards concerns on sub-project activities from preparation, through review and approval to implementation.

The majority of subloans are expected to be for micro and small entepprireses with average loan size of about US$ 500 and US$10,000 respectively. In the case of medium enterprises, larger investment loans (averaging US$ 50,000) could be demanded. Small and medium enterprises will most likely take loans for scaling up production, purchasing or renovating existing facilities rather than for green field investment. The fund to be borrowed indicates that projects to be implemented will be small scale with minimum environmental impacts generally site-specific, largely reversible, and readily addressed through mitigation measures. Such projects are expected to range from expansion of agriculture, small businesses which include selling cereals and milling, food processing, iron smiths, small to medium construction and education projects. Such projects are expected to have minimum impacts which might be associated with removal of vegetation, excavation of earth soil, soil and water pollution, emissions of greenhouse gases, oil and diesel/petrol spillage, processing of hazardous chemicals and noise, to mention few.

All of the above impacts, at small scale are highly reversible and can be mitigated by employing mechanisms such as replanting of trees and vegetation for the project which will involve removal of vegetation, using proper containers to collect oil or diesel to avoid spillage, low use of pesticides and herbicides for agricultural projects, avoid use of other hazardous chemicals and use of noise absorbers in cases where noise will be detrimental. Social issues will be mitigated by ensuring stakeholders consultations is adequately conducted, and GRM is put in place.

The environmental and social screening process (**See Annex II**) provides a mechanism to enable implementers to identify, assess and mitigate potential environmental and social impacts of sub-project activities, including the preparation of site-specific safeguards instruments, namely Environmental and Social Impact Assessments (ESIAs) or ESMPs where applicable, in accordance with the EMA, 2004 as well as World Bank safeguard policies, particularly Environmental Assessment (OP/BP 4.01). The framework among other things mentions the World Banks' safeguard policies that are triggered by the proposed financial inclusion project, identifies potential environmental concerns/impacts, environmental and social management plan, institutional responsibilities, capacity building, training needs, and technical assistance required.

CHAPTER ONE

INTRODUCTION

1.1 Background

Recent economic developments have been favorable with stable growth at an average rate of 6.5 percent per annum over the past decade. However, economic growth recently softened, with the rate declining to 6.8 percent in the first half of 2017, compared to the figure of 7.7 percent recorded in the same period in 2016. Gross Domestic Product (GDP) growth is projected at 6.9 percent for FY 2016/17[4] compared to 7 percent in the previous year. The decline in growth is mainly attributable to under-execution of the national budget and the decline in private sector sentiment; and slow credit growth (2 percent as of January 2018 compared to 5 percent in January 2017 and 25 percent in the same period 2016). Despite the softening, at these growth levels, Tanzania is amongst the strongest performers in the region.

Tanzania's financial system is rather shallow, with the financial assets to GDP ratio reaching only 41 percent. The ratio of private sector credit to GDP stands at only 16 percent (2016), well below the average private sector lending to GDP ratio of 60-80 percent in other lower income countries (LICs)5, which includes Kenya with ratio of 35 percent. The financial system comprises of regulated and non-regulated players. Similar to other countries in the East African Community (EAC), Tanzania's financial system is a bank-centric one, in which banks contribute almost 70 percent of the total assets (equivalent to assets to GDP ratio of about 30 percent) (Table 1). The microfinance sub sector, which serves the majority low-income groups, especially women and people living in rural areas, is mostly unregulated.

The banking sector is crowded by the presence of a large number of heterogeneous players (53 banks of different sizes, business models/specialization by clients or products and profitability), but at the same time highly concentrated. Two large banks currently control 40 percent of total bank assets. Large banks in Tanzania are usually able to generate significant profits, but many small banks are not profitable due to lack of scale, as well as limited capacity to make sound credit decisions. In order to overcome the above challenges, the Government of Tanzania through the Bank of Tanzania (BOT) is in the process of initiating the Financial Inclusion Project (FIP)with the objective of expanding responsible access to credit for MSMEs and improve capacity for regulators, financial institutions and enterprises.

[4] World Bank (2017). Tanzania Economic update; Managing Water Wisely: The urgent need to improve water resources management in Tanzania.
5 IMF: United Republic of Tanzania selected issues—macro financial issues; IMF Country Report No. 16/255.

The operation will have a gender focus to address the specific inclusion and access constraints faced by women in Tanzania.The FIP is a five-year project with five components: (i) Line of Credit (LOC) for MSMEs; (ii) Capacity-strengthening for MSMEs, PFIs and other financial services providers; (iii) Development of Infrastructure for Financial Inclusion; (iv) Access to finance policies and prudential and market conduct regulation and supervision; and (v) Project Management, Outreach and M&E.

The LOC component will focus on provision of finance to eligible financial intermediaries to on-lend to creditworthy MSMEs and support them with relatively small investment and working capital loans. The majority of subloans are expected to be for micro and small entepprireses with average loan size of about US$ 500 and US10,000 respectively. In the case of medium enterprises, larger investment loans (averaging US$ 50,000) could be demanded. For small to medium enterprises taking, most will likely take loans for scaling up production, purchasing or renovating existing facilities rather than for green field investment.

The fund to be borrowed indicates that projects to be implemented will be small scale with minimum environmental impacts generally site-specific, largely reversible, and readily addressed through mitigation measures. The projects that may potentially lead to temporary or permanent, economic or physical displacement will not be considered for the LOC. The Environmental assessment category of the project according to the WB E&S policies is FI (Financial Intermediary Assessment). Under the credit line component, only sub projects with Category B and C will be funded.

The project will focus on supporting MSMEs with relatively small investment and working capital loans. In terms of the future sub-projects, while they are not limited to specific sectors, they may include hospitality, agro-processing, and similar activities. In terms of the future sub-projects, while they are not limited to specific sectors, they may include hospitality, agroprocessing, and similar activities. The project will be funded through an International Development Association (IDA) credit.

As a prerequisite, World Bank-funded projects but also Environmental Management Act No. 20 of Tanzania Cap 191 requires an environmental and social impact assessment to identify potential impacts that might be associated with the implementation of the proposed project. Since the specific investments under the project will not be identified until project implementation, an ESMF is prepared under the scope of the Operational Manual to provide guidance regarding environmental review procedures.

An ESMF is required to prescribe project arrangements for the preparation, review, approval and implementation of sub-projects in order to adequately address the World Bank and national environmental and social safeguards requirements. According to the ESMF, sub-loan / finance applicants will be required to carry out an environmental screening, due-diligence (for the existing facilities) and assessment of the proposed subprojects according to the World Bank safeguard procedures, and to obtain environmental permits as prescribed by national legislation.

The ESMF has been prepared by the government and disclosed on BoT and World Bank websites.The PIU will be housed by BoT and will also play the role of the admistrator of the credit line (LOC) under the project.

1.2 Objective of the ESMF

The objective of this ESMF is to ensure that the implementation of the FIP, of which the sub-project sites are unknown at this stage, will be carried out in an environmentally and socially sustainable manner. The ESMF will provide the project implementers with an environmental and social screening process that will enable them to identify, assess and mitigate potential environmental and social impacts of sub-project activities, including through the preparation of a site-specific Environmental and Social Impact Assessment (ESIA) where applicable.

The screening results will indicate whether additional environmental and/or social assessment will be needed or not. Thus, the ESMF is designed to ensure an appropriate level of environmental and social management, which could range from the application of simple mitigation measures (through the environmental checklists), Environmental and Social Management Plan (ESMP) to the preparation of a partial ESIA Report. The Environmental assessment category of the project is FI (Financial Intermediary). Under the credit line component, only sub projects with Category B and C will be funded. Any sub-projects that are assessed as Environmental Category A will be disqualified.

1.3 Scope and target users of the ESMF

ESMF is specifically designed for the FIP to guide project implementers in ensuring that the assessment of possible environmental and social impacts in the project sites is thoroughly carried out.

This framework has been prepared as a reference document for use by key stakeholders who will be involved in the planning, implementation, management and operation of the proposed FIP. As a reference material, the framework would be useful to the following FIP key stakeholders:

- BOT as the implementing agency;
- Key ministries in the implementation of FIP;
- On-lending PFIs that will execute the credit line;
- Senior central government officials responsible for policymaking and project planning;
- Central government officials responsible for environmental planning and management including NEMC;
- Participating sectors in the implementation of the FIP (Financial Intermediaries);
- Politicians and local traditional leaders;
- Sector Environmental Management Coordinators
- District and regional Environmental Management Officers and Committees;
- NGO’s and the private sector;
- Planners and engineers for the preparation of plans and designs of the subproject activities;

- Engineers and contractors to be involved in implementation of the sub-project activities; and
- The World Bank as the funder of the proposed FIP to ensure compliance with the WB safeguard policies.

1.4 Approach and methodology

The approach to developing this ESMF involved literature review and consultations with the various stakeholders. The rationale of these extensive consultations was to take into account views from a cross section of potential beneficiaries and other stakeholders, at least from local level, district level, and central government level. Specifically, five steps were followed:

a) Review of existing conditions of the existing financial sector and provide an assessment of their status and operation levels;
b) Review of typical implementation approach and processes for the proposed activities and development initiatives within the financial sector;
c) Identification and analysis of potential environmental and social impacts of the implementation processes will likely trigger and generate within and around the FIP activities;
d) Development of screening process for negative impacts for proposed project sites and project activities; and
e) Identification of appropriate mitigation measures for the predicted impacts and compilation of a management plan for addressing environmental and social impacts during implementation, operation and maintenance of the project activities.

Literature Review

This included the review of the project appraisal documents of the proposed FIP, Tanzania's policy, legal, regulatory and administrative frameworks relevant to the proposed project. For example, the National Microfinance Policy, the Banking and Financial Institution Act and National Financial Education Framework, the National Environmental Policy and National Environmental Management Act were reviewed.

The World Bank's ten Safeguard Policies were also reviewed to identify the likely policies to be triggered by FIP subprojects. Bearing in mind that FIP subproject sites were unknown at the time of the preparation of this ESMF, literature review further encompassed the overview of Tanzania's physiographic and climatic issues, the state of the general environment and population dynamics just to inform FIP. Some key baseline information on Tanzania's recent macroeconomic developments and financial sector were also reviewed.

Stakeholders Consultations:

Consultations with key stakeholders were undertaken on May 3, 2018 in Dar Es Salaam to ensure that the implementation of the proposed FIP, particularly with regard to environmental and social issues, takes on board views and concerns across different people and institutions including local and central government entities, financial intermediaries and key ministries, were done mainly through interviews with key informants.

Consultations were limited to stakeholders located in Dar es Salaam because of the following reasons: (i) although FIP is intended to cover the whole country, the likely demand for financial services are still at higher rate in Dar es Salaam due to the fact that it is the center for economic activities therefore most likely to provide a good representative sample; and (ii) in connection to the above reason, the majority including the headquarters of the key stakeholders in the financing sector are located in Dar es Salaam. A total of 22 stakeholders from bank and financial institutions, microfinance institutions and NGOs, Government MDAs and other key institutions were consulted to obtain their views and concern about the project that should be considered during the implementation the project and E&S risk management.

1.5 Format of the report

This framework is organized in ten chapters:

- **Chapter One** provides background information to the proposed Financial Inclusion Project (FIP). It outlines the objectives of the ESMF, and the approach and methodology that was taken in developing the framework.
- **Chapter Two** provides an overview of the project description such as the justification for the proposed project in the country, aim and objectives of the project, the major components of the projects, proposed impact areas, its current status and estimated costs.
- **Chapter Three** describes Tanzania's relevant policies, laws and institutional arrangements which regulate and manage development activities in various sectors including financial sector, resource utilization, protection of the environment, land and ecosystems issues and many other sectors. It then explains in general terms the institutional arrangement which supports the regulatory framework.
- **Chapter Four** provides an overview of baseline information of Tanzania's financial sector and its various activities.
- **Chapter Five** outlines the nature and scopes of the proposed activities under the proposed project, the environmental components likely to be affected by the project activities, the nature and potential sources of the main environmental and social impacts in the implementation and operation of the project activities.
- **Chapter Six** provides an analysis of alternatives, by first defining alternatives for sub-project characteristics that will make them more environmentally friendly and then comparing the possible project implementation scenarios.
- **Chapter Seven** outlines the environmental and social screening processes.
- **Chapter Eight** typical focuses on environmental and social management plan for the likely environmental impacts. The chapter includes budget and recommendations of appropriate monitoring activities by different stakeholders at local level, district level and national level to ensure compliance to mitigation measures.
- **Chapter Nine** describes the relevant Stakeholder consultation processes and how it was done. It also gives views of the consulted people.

- **Chapter Ten** is about conclusion and recommendation
- **Annexes** are attached at the end of the report covering (i) Summary of WB policies, (ii) Environmental and Social Screening Form, (iii) Resettlement Screening form (iv) Procedures for undertaking ESIA, (v) ToR for Environmental Expert, (vi) Environmental checklist, (vii) List of stakeholders consulted; and (viii) Views of consulted stakeholders.

CHAPTER TWO

DESRIPTION OF THE PROJECT

2.1 Project Development Objective (PDO)

The Project Development Objective (PDO) of the Tanzania Financial Inclusion Project is to expand responsible access to finance for MSMEs and improve capacity for regulators, financial institutions and enterprises. The operation will have a gender focus to address the specific inclusion and access constraints faced by women in Tanzania.

2.2 Project Structure

The components to be funded for the total amount of US$150 million of IDA credit under the proposed project include:

- Component 1. Line of Credit (LOC) for MSMEs;
- Component 2. Capacity-strengthening for MSMEs, PFIs and other financial services providers;
- Component 3. Development of Infrastructure for Financial Inclusion;
- Component 4. Access to finance policies and prudential and market conduct regulation and supervision; and
- Component 5. Project Management, Outreach and M&E.

Component 1: Line of Credit for MSMEs

Under this component, debt denominated in local currency will be provided to eligible financial intermediaries to on-lend to creditworthy MSMEs. The Government of Tanzania (GoT) will pass on the LOC funds to BOT in local currency. BoT will on lend the funds[6]to PFIs to help them finance and refinance eligible MSME loans. In addition, BoT will on-lend funds to first tier PFIs to on lend to Microfinance Institutions (MFIs), including second tier PFIs – i.e. Savings and Credit Cooperatives (SACCOS), Community Financial Groups (CFGs) such as Village Community Banks (VICOBAs), Village Savings and Loans Associations (VSLAs), etc. for them to finance or re-finance MSMEs.

The LOC will fund primarily investments for MSMEs in agriculture, food processing, manufacturing, trade, transport and logistics, tourism and other key sectors of the economy. It is anticipated that the majority of borrowers will be micro and small seeking loans with average size of about US$100 – 500 and US$5,000 respectively. In the case of medium enterprises, larger investment loans (averaging US$ 50,000) could be demanded.

To ensure that less established and smaller businesses are targeted, PFIs will include both smaller banks as well as MFIs/SACCOs/CFGs (which will obtain an access to funding through the wholesale lending from banks using the LOC). Institutions will be selected

[6] Such funding could be debt or sub-debt subject to covenants on enhancing outreach, adopting good lending practices including on responsible lending

based on eligibility criteria that will assess both their financial sustainability, as well as their ability to target the desired segment.

Component 2: Capacity strengthening for PFIs, MFIs and MSMEs

Capacity-building will be provided to financial institutions to upgrade their lending methodology, improve their operations and to implement institution building plans in case they do not qualify for the LOC upfront. This support will help them develop alternative lending methodology to serve profitably MSMEs and especially women owned businesses and businesses located in more remote areas that have limited or no credit history. For institutions that do not currently qualify for the LOC, support will be provided to meet the targets of the required institutional development plan to eventually avail of the LOC. Hardware, and software will also be provided, when appropriate. Furthermore, capacity-building will be provided to the borrowers to ensure that they understand the products offered under the LOC. Under this component, a market assessment of microfinance service providers which will be conducted to gather data on market size, number of providers, members/clients, activities, and financials. The assessment will be used to identify capacity-building needs that are specific to microfinance institutions and apex bodies.

The project will also strengthen the capacity of MSMEs to increase their ability to access finance from financial institutions through the delivery of tailored Business Development Services (BDS). The service provider identified through a competitive bidding process will carry out the needs assessment and develop a capacity-building program, funded through the project, which will focus on entrepreneurial and financial skills using tailored coaching and mentoring.

Component 3: Development of Infrastructure for Financial Inclusion

This component will also support strengthening of the coordination and monitoring of Tanzanian government funds, including the government credit guarantee schemes for enterprises, will be strengthened under this component. Initially, support will be provided to restructure and enhance the sustainability of selected programs. This could include the design of new governance arrangements, new products, restructuring of the schemes, etc. An MIS will also be procured to enable NEEC to monitor and evaluate on regular basis the funds' performance, and to perform analysis by sex, by sector, and by geography rural/urban beneficiaries.

Lastly, the component will support the GoT implement a delegated supervisory model for MFIs, namely a risk-based, tiered approach to supervision. The project will support the design of an appropriate system for tiered supervision and establishment of the required IT infrastructure (software, hardware) for microfinance supervisory authorities. Such a system may include the development of a shared information platform among apex organizations of CFGs and regulatory authorities, in order to consolidate and systematize data collection, processing, and analyses for the multitude of CFGs into a national database.

Funding under this component will be used to operationalize a retail payment infrastructure.

Component 4: Enhance policy, legal, regulatory framework for financial sector, consumer protection and public awareness

Under this component capacity-building support will be provided to MoFP. The capacity of the financial sector development department of MoFP will be strengthened in the areas of policy development and implementation, technical aspects of the financial sector, project management and others. Assistance will also be provided to develop a modern legal and regulatory framework for the financial sector, including secured transactions and collateral registry, factoring, asset-based lending, regulation of FinTechs, financial sector development policy and strategy, review of SME Development Policy, and other areas.

In addition, the legal and regulatory framework for microfinance providers will be enhanced, including developing appropriate requirements on good governance, reporting, financial operations, etc. tailored to respective tiers and categories of microfinance providers, which will need to be clearly established. Advisory support will also be provided to microfinance supervisory authorities to strengthen their capacity. Supervisory authorities, in particular those that oversee regulated and formal NBFIs, will receive support with the development of supervisory manuals and procedures and supervisory trainings in key areas. Support will also be provided to develop guidelines and requirements for apex organizations and promoters and oversight over such apex organizations and promoters to ensure that they are fulfilling their mandated duties. Regulators will also receive support to enhance market conduct regulation and supervision. Lastly, support will be given to developing codes of conduct for informal providers that aligns with the financial consumer protection principles.

Component 5: Project Management, Outreach and Monitoring and Evaluation

This component would finance all the costs pertaining the Project Implementation Unit (PIU) within implementing entity; communication and outreach of the project, and monitoring and evaluation (M&E). Capacity-strengthening activities for PIU staff will also be included in the areas of project management, environmental and social safeguards, SME finance, financial and procurement management, and others.

2.3 Geographic area of intervention and target groups.

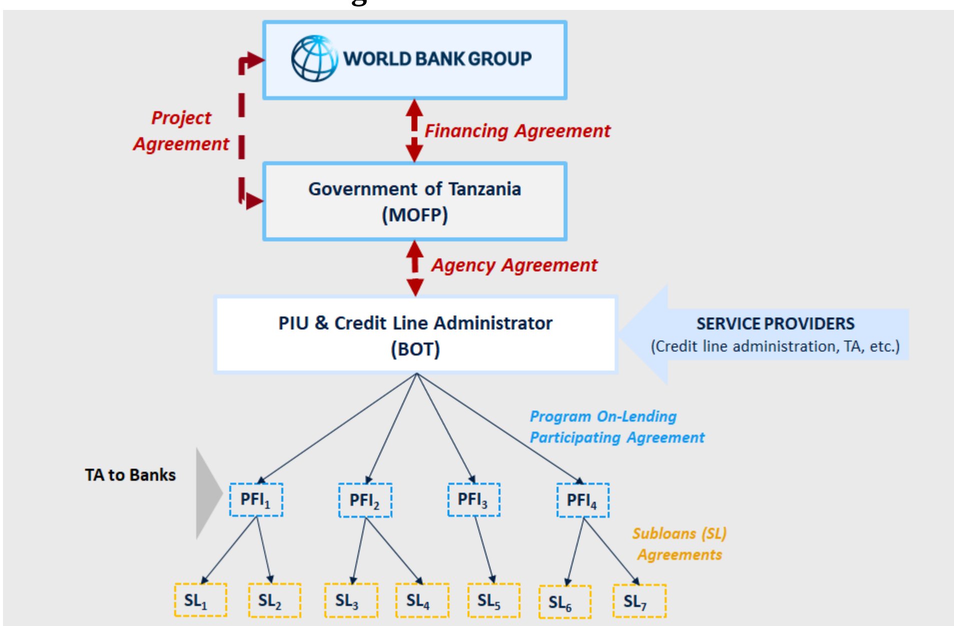
The project itself will not be region specific, as it is more about using the existing financial institutions to create environment for financial flow to SMEs which would apply across the country. However, the demand for financial services, MSMEs and the overall consumers of financial products will likely be in urban areas and other centers of economic activity such as Dar es Salaam, Mwanza, Arusha, Dodoma, Mbeya and others.

2.4 Project Institutional and Implementation Arrangement

The GoT through MOFP is the borrower, and the project’s activities will be implemented by the BoT where the PIU will be housed. The PIU will also administer the line of credit and will have dedicated staff for that purpose. The flow of funds is expected to be as illustrated in **Figure 1**. MoFP will borrow from the World Bank and sign an implementation agency agreement with BoT, who will manage the project and administer the LOC on behalf of MOFP. This PIU has been in existence for a number of years and has experience in managing Bank projects with similar implementation arrangements and safeguards requirements (see Chapter 6 on institional roles and capacity).The PIU has also been involved in the implementation of the Private Sector Competitiveness Project (PSCP) – Additional Financing (Access to Finance component) and the ongoig Housing Finance Project (HFP) which as an LOC component.

In relation to the LOC, MoFP will take the currency risk on funds borrowed from the World Bank, BoT will take the credit risk on funds disbursed to PFIs and PFIs will take the credit risk on funds on-lent to MSMEs and MFI. BoT will disburse funds on demand basis either to finance issuance of MSME loans or refinance existing loan portfolios.

Figure 1: Flow of Funds



To ensure proper coordination and supervision of the project, a project Steering Committee (SC) will be established to provide policy guidance and oversight and a Project Coordination Committee (PCC) to provide day-to-day technical guidance and supervision of the project activities. The SC and PCC will be established by effectiveness. The SC will be the governing body responsible for the overall strategic direction and oversight of the project.

The SC will be composed of Permanent Secretaries from the President's Office Regional Administration and Local Governments (PO-RALG), MOFP, Ministry of Industry, Trade and Investments (MITI), the Executive Director of NEEC, and BOT Governor. The SC will be chaired by Permanent Secretary to the Treasury and will meet as and when needed, but at minimum twice a year.

A technical committee (i.e. the PCC) will be formed for coordination and quality control of the project. The PCC will: (i) review and approve terms of reference for consulting services and the reports prepared by consultants; (ii) review and approves policies and position papers prepared by the PIU for onward transmission to the SC; (iii) review and approve the annual work plan and budget for the project in consultation with the PIU; (iv) evaluate and monitor the performance of the project.

The PCC will include Directors from various key institutions including: (i) PO-RALG – Director responsible for CFGs; (ii) MOFP – the Assistant Commissioner for financial sector development policy, the Assistant Commissioner – Multilateral, and the Assistant Commissioner – Debt Policy; (iii) BOT – Director of Strategic Planning and Performance Review, Director of Banking Supervision, and the Director of Microfinance and Real Sector; (iv) MITI – Director of SMEs Development; (v) NEEC – Director responsible for Government empowerment funds; (vi) TAMFI – the Executive Director; and (vii) the Chairman of the Tanzania Bankers Association. The committee will meet quarterly and/or as when need arises. The PCC will be chaired by BoT Director under which the PIU is located and will meet as and when needed, but at minimum four times a year.

2.5 Results Monitoring and Evaluation

The PIU will evaluate progress on the proposed indicators through regular reports. The PIU will monitor the PDO and intermediate indicators of the Results Framework on a semiannual and yearly basis. The data will come from the PIU's reports and from reports provided by the PFIs. The PIU will work with the World Bank on the design of appropriate reporting templates in the OM. The financial performance of PFIs will be monitored through independent auditors' reports and separate management letters confirming adherence to prudential norms.

2.6 Project sustainability

The project is expected to facilitate greater intermediation by the financial sector in currently underserved market segments. Although the IDA loan amount is small compared to the potential demand for credit from MSMEs, including women-inclusive enterprises and enterprises in less-developed sub-regions, the multiplier effect will be achieved through BoT channeling any sub-loan / finance repayments to other eligible firms through PFIs. More broadly, the WB's financing support under the Project will go hand in hand with TA to strengthen the capacity of PFIs to serve the specific needs of women-inclusive enterprises and enterprises in less-developed sub-regions.

CHAPTER THREE

POLICY, LEGAL AND INSTITUTIONAL FRAMEWORK

3.1Tanzania policy and legal requirements

Tanzania has a good policy, legal and administrative framework for management of environmental and social as well as finance issues enshrined in the National Constitution, National Environment Management Policy and National Environmental Management Act, the Land Policy and Land Acts, the National Microfinance Policy and its implementation strategy, the Banking and Financial Institutions Act, National Financial Education Framework as well as supporting local laws and by-laws. Tanzania is also a signatory to and has ratified all major international conventions in relation to environmental and finance matters. These policies envisage that by integrating environmental and social considerations in the decision-making process in financial matters it is possible to avoid or minimize impacts associated with project implementation that may have negative effect on the environment. A few policies and laws that are relevant to the environmental and social management of the FIP are presented below.

3.2 Policy Framework

Tanzania currently aims to achieve sustainable development through rational use of financial services to all and incorporating measures in any development activities in order to safeguard the environment. The existing policy document, which drives toward achieving this goal, is the National Environmental Policy (NEP), which was approved by the Government of Tanzania (GoT) in 1997. The NEP emphasizes the need to continue taking various measures in any development activities such as those conducted in financial sectors to ensure that the environment is protected and it's ecological functioning enhanced. Some of the relevant policies which require or support the implementation of the FIP operations are briefly discussed in the forthcoming sections.

The National Strategy for Growth and Reduction of Poverty (NSGRP)

The NSGRP paper recognizes that financial sector is critical for the attainment of the NSGRP and Millennium Development Goals targets. FIP activities will focus in the reduction of poverty of both men and women. The NSGRP also recognizes the role of other sectors in poverty eradication and the need for mainstreaming environment as one of the crosscutting issues in the sector.

The National Microfinance Policy (2017)

The Policy was developed as in recognition of the role of the microfinance sub-sector in poverty reduction and economic growth, and the first policy was adopted in 2000. The Policy provided guidance which enabled the participation of various stakeholders in the microfinance sub-sector including microfinance service providers, investors, Development Partners, government funds and programs. Over the last 15 years, there have also been new developments in the microfinance sub-sector in terms of, the entry of Non-Financial Institutions (NFIs) with new innovations and technologies.

National Microfinance policy implementation strategy, 2017/18-2027/2028

The strategy spells out a roadmap for implementation; it elucidates the resources and strategies that will enable the Government through the Ministry responsible for Finance to implement the National Microfinance Policy 2017. The implementation strategy is also aligned with financial sector plans and programs to achieve results that have an overall benefit to the financial sector.

The priority areas that are identified in the National Microfinance Policy 2017 are: establishing an effective institutional framework; enacting efficient and effective legal framework responsive to market dynamics; addressing cross-border issues; and compliance with best practice. The key implementers of this implementation strategy are from Government institutions such as PO-RALG, Prime Minister's Office, MoFP, BoT, Tanzania Cooperatives Development Commission and other stakeholders in the microfinance sub-sector.

National Gender Policy (2002)

The key objective of this policy is to provide guidelines that will ensure that gender sensitive plans and strategies are developed in all sectors and institutions. While the policy aims at establishing strategies to eradicate poverty, it puts emphasis on gender equality and equal opportunity of both men and women to participate in development undertakings and to value the role-played by each member of society. The FIP activities shall adopt the policy through the provision of equal opportunities to both men and women in the provision of financial services and its related activities.

The National Investment Promotion Policy (1996)

The National Investment Promotion Policy encourages protection of environment in line with the countries socio-economic policies. Under the policy, investors are required to undertake activities in a manner that best contributes to consumer and environmental protection. The investors are also encouraged to use local raw materials/components where possible. This ESMF will therefore ensure that FIP activities abide to the relevant provisions of the policy to ensure compliance with the development.

The National Environmental Policy (1997)

The National Environmental Policy (NEP) came into effect in 1997. The policy document provides the framework for making fundamental changes that are needed to bring environment consideration into the mainstream of decision- making in the country. Among the main objectives of the NEP is to improve the condition and productivity in settlements in order that all Tanzanians may live in safe, healthy, productive and aesthetically pleasing surroundings. The NEP advocates the adoption of Environmental Impact Assessment (EIA) as a tool for screening development projects, which are likely to cause adverse environmental impacts. It directs conduction of EIA and EA as a measure to curb environmental degradation for which all operating enterprises must subscribe. On addressing the issues of poverty alleviation, the policy recognizes its impact to the environment. The policy focuses on the satisfaction of basic needs of the citizens with due cognizance on protecting the environment. This project ensures that the above policy objectives are met.

3.3 Legal framework

The Banking and Financial Institutions Act, 2006

The Act provides for comprehensive regulation of banks and financial institutions; supervision of activities of savings and credit co-operative societies and schemes with a view to maintaining the stability, safety and soundness of the financial system aimed at reduction of risk of loss to depositors. The Act also provides for repeal of the Banking and Financial Institutions Act, (Cap.342) and other related matters. Apart from so many functions of various financial institutions stipulated in the Act, it gives mandate to BoT to regulate and supervise the activities of all savings and credit cooperative societies and schemes whose deposits have surpassed an amount equivalent to the minimum core capital for a micro-finance company.

BoT is also given mandate by the Act to grant licenses; carry out inspections over the operations of all banks or financial institutions in accordance with the provisions of this Act; require any bank or financial institution within such time as it may stipulate, to furnish any information or to comply with any order, directive or determination issued or made by the Bank pursuant to all the powers of the Bank conferred on it under this Act; and require any bank or financial institution to provide periodical.

The Environmental Management Act No. 20 of 2004

The Environmental Management Act (EMA) (Act No. 20 of 2004) provides the legal and institutional framework for the management of the environment and implementation of the nation's environmental policy. Institutionally it provides for the continuation of the National Environmental Management Council (NEMC) and creates the National Environmental Advisory Committee. The Act outlines projects that require a full EIA or those that may be subjected to full EIA, after NEMC determination. Some of the sub-projects activities under the FIP will call for full EIAs, under this Act.

The Act also defines institutional responsibilities for environmental management. Accordingly, NEMC is charged with the enforcement, compliance, review, and monitoring of environmental impact assessment and the facilitation of public participation in environmental decision-making and supervision of all matters relating to the environment assigned to the Council. Amongst its functions NEMC (1) reviews EIAs and recommends them (or not) for approval, and (2) carries out the screening of projects for which environmental assessment or monitoring must be conducted. It is noted that under the Act, NEMC may "delegate to any sector Ministry, environmental body, employee or agent of the Council, the exercise of any of the powers or the performance of any of the functions or duties of the Council under the Act" (EMA para 26). All relevant Ministries are to establish environmental management sections which liaise with NEMC on environmental matters. The Division of Environment (DoE) is responsible for policy and legal formulation and implementation of the policies and laws. DoE is also responsible for ensuring the development and implementation of strategic environmental assessments.

Within each ministry, it is the Environmental Section's responsibility to ensure that environmental concerns are integrated into Ministry developmental planning and project implementation in a way that protects the environment. The Environmental Management Sections of sector ministries are charged with overseeing the preparation of EIAs required for investment in their sectors (NEMA para 31 (k)). Each sector Ministry is to appoint a Sector Environment Coordinator to coordinate and report on all activities and performance of functions relating to the environment and the Ministry. And, at the Regional level there is a Regional Environmental Management Expert (REME) to advise local authorities on matters relating to the Act.

NEMC is responsible for the review of projects and deciding on whether they need to undertake EIAs and prepare Environmental Impact Statements (EISs). According to Section 83(2) of the Environmental Management Act No. 20 of 2004 and item 14(ii) of the First Schedule of the Regulation for EIA, all projects concerning "major urban construction and civil engineering works on industrial and estate development, construction of multi-storey buildings, motor terminals and markets, require Environmental Assessment". Section 224 of the Environmental Management Act No. 20 of 2004, compels the Government to undertake Environmental Assessment for projects funded by the Government.

The Council also circulates EISs for written comments from government agencies, gives notification of public meetings for EISs' reviews, and ensures the availability of related reports and documents to those affected or involved. It is noted that under the law the Minister responsible for the environment can delegate responsibility for approval of EISs to the Director of Environment, LGAs and Sector Ministries. Subsequently, NEMC is responsible for monitoring the operation of projects and required mitigation measures, especially in cases where holders of EIA Certificates and their projects are guilty of non-compliance.

On the other hand, for this project in case some of the sub-project activities under the FIP fall under the list of projects prescribed for full and mandatory EIA then, EIA studies will have to be conducted before implementation of such sub-project activities. However, as sub-project locations and the extent of project activities are not known at this time, this ESMF provides information that can guide decisions about the project in general.

Environmental Impact Assessment and Audit Regulations, 2005

The Environmental Impact Assessment and Audit Regulations No.349 of 2005 were made pursuant to Section 82 (1) and 230 (h) and (q) of the Environmental Management Act Cap 191 of 2004., The regulations provide the procedures and requirements for undertaking ElAs for various types of development projects with significant environmental impacts. In addition, the Regulations provide a list of projects that qualify for Environmental Assessment procedures in Tanzania. Regulation 46(1) classifies projects into two types: (i) Type A Projects requiring a mandatory ElA; and (ii) Type B projects requiring a Preliminary Environmental Assessment (PEA). The First Schedule lists typical examples of Type A and B projects. Some of the FIP sub-projects may fall under the category of projects that require mandatory Environmental Assessment.

3.4 Administrative framework

The administrative and institutional arrangements for environmental management in Tanzania that are relevant to various projects including the FIP are stipulated in the Environmental Management Act (EMA) No. 20 of 2004 where NEMC and DOE are key institutions with regard to environmental issues.

MoFP and BoT

To reduce risks and ensure complementarily, the program will make use of existing structures and institutions. As discussed under Section 2.4, MoFP will be the direct recipient of the World Bank's loan that would then be transferred to the specific project's counterparts. PIU within BOT implement the proposed project and administer the line of credit.

A Project Operations Manual (POM) is currently being prepared and will include provisions on the following matters: (a) skills enhancement activities for sustained achievement of the Project's objectives; (b) a financial management plan, setting forth the detailed policies and procedures for financial management under the Project; (c) a procurement section setting forth the detailed policies and procedures for procurement management under the Project; (d) institutional administration, coordination and day to day execution of Project activities, and information on the safeguards work to be undertaken under the project; (e) eligibility criteria for loan applications; (f) monitoring and evaluation; (g) reporting; (h) information, education and communication of Project activities; and (i) such other technical and organizational arrangements and procedures as shall be required for the Project.

The National Environmental Management Council (NEMC)

NEMC is a body corporate vested with overall responsibility for the enforcement, review and monitoring of environmental assessments and compliance with the law and in this regard, facilitates public participation in environmental decision making. NEMC is responsible for screening (allocating the appropriate level of the EA) and reviewing large investments and projects of national significance. NEMC constitutes multidisciplinary, multi-sectoral Technical Review Committees to review the adequacy of EIS (including Environmental Management Plans/Environmental Monitoring Plans) and recommendations to the government for approval and clearance of EIA Certificates for projects. This procedure will apply to sub-projects under FIP that after screening will be required to undergo EIA. When needed, BoT may also draw on the expertise of NEMC in the process of implanting project related E&S risk management activities.

The Division of Environment (DoE)

The office of the DoE is responsible for coordinating, assessing and monitoring the various environmental management activities in the country being undertaken by other agencies, as well as promoting the integration of environmental considerations into development policies, plans, programs, strategies and projects and undertaking strategic environmental assessment. Director of the Environment is also responsible for issuing approval (EIA Certificates) for the development project to proceed. The same will apply to FIP sub-projects that, after screening, will be required to undergo EIA.

Sector Environment Section

The National Environment Management Act stipulates the formation of Environmental Sections within each Ministry to oversee all environmental matters within the Ministry, including supervision and monitoring of implementation of project, environment and social management plans, and liaising with the Director of Environment and NEMC. Each Ministry is required to appoint or designate a Sector Environment Coordinator (SEC) charged with these functions. All the beneficiary institutions of the proposed FIP are required under this Act to establish the stipulated Environment Sections and Coordinators to undertake the stated functions.

Since operation of environmental issues are not yet decentralized by NEMC, all activities regarding screening, EIA reviews, approval and issuing of EIA certificates are centralized. Therefore, all sub-projects under FIP that will be required to undertake EIA would be reviewed by NEMC and recommended for approval and clearance to DoE who is responsible for provision of EIA Certificates.

Generally, the above national environmental policies, laws, procedures, regulatory and administrative frameworks and legal requirements are relevant to the proposed FIP and are integrated into this ESMF as appropriate.

3.5 World Bank Environmental and Social Safeguard Policies

The Bank undertakes environmental screening of each project that is proposed for WB financing, to determine the risk and appropriate extent and type of environmental assessment required. This ESMF has been designed so that all sub-projects that will be implemented under FIP comply with the Environmental and Social Safeguard Policies of the World Bank and all the applicable environmental policies, laws and regulations of the United Republic of Tanzania.

The Environmental assessment category of the project is FI (Financial Intermediary). Under the credit line component, only sub projects with Category B and C will be funded. All sub-projects assessed as Environmental Category A will be disqualified. The project will focus on supporting MSMEs with relatively small investment and working capital loans. The sub-loan / finance portfolio is expected to comprise subprojects that have limited environmental or social risks or impacts that are few in number - generally site-specific, largely reversible, and readily addressed through mitigation measures. In terms of the future sub-projects, while they are not limited to specific sectors, they may include hospitality, agroprocessing, and similar activities. Ideally, the assumption is that majority of borrowers will be micro and small – they will take small loans for their small operations.

All MSMEs will have to be already established to qualify. It is expected that Small and medium enterprises will most likely take loans for scaling up production, purchasing or renovating existing facilities rather than for green field investment. In case an enterprise is seeking a loan, for example to construct a new facility, no loan will be given to activities that will involve involuntary land acquisition and resettlement, have impact on one's livelihood, land or assets, and affect vulnerable groups. The determination of which groups in Tanzania are recognized as vulnerable will be done according to the following criteria: those that may be below the food poverty line and lack access to basic social services, including those that are geographically isolated and are not integrated with society at large and its institutions due to physical or social factors. Vulnerable groups also include women-headed households, the elderly, disabled, youth, children, and persons with HIV/AIDs.

The World Bank's 10 Safeguard Policies are:

- Environmental Assessment (OP/BP 4.01)
- Forests (OP/BP 4.36)
- Involuntary Resettlement (OP/BP 4.12)
- Indigenous Peoples (OP/BP 4.10)
- Safety of Dams (OP/BP 4.37)
- Pest Management (OP 4.09)
- Physical Cultural Resources (OP/BP 4.11)
- Natural Habitats (OP/BP 4.04)
- Projects in Disputed Areas (OP/BP 7.60)
- Projects on International Waterways (OP 7.50)

The project is expected to be implemented in different geographical areas across the country. However, since the exact locations of the proposed subprojects are not specified at project appraisal the ESMF has been prepared as a guiding tool.

Environmental Assessment (OP/BP 4.01)

The principle objective of OP/BP 4.01 is to ensure that World Bank-financed projects are environmentally sound and sustainable and that decision-making is improved through appropriate analysis of actions and their likely environmental impacts. The policy is triggered when a project is likely to have potential (adverse) environmental risks and impacts in its area of influence. OP 4.01 covers impacts on the natural environment (air, water and land); human health and safety; physical cultural resources; and the transboundary and global environment. OP 4.01 further requires that the ESMF report must be disclosed as a separate and standalone document by the Government of Tanzania and the World Bank as a condition for Bank Appraisal of the FIP. The disclosure should be both in Tanzania where it can be accessed by the general public and the Info shop of the World Bank and the date of disclosure must precede the date for appraisal of the project. When OP 4.01 is triggered, the Bank classifies the proposed project into one of the following categories, depending on the type, location, sensitivity, and scale of the project and the nature and magnitude of its potential environmental impacts.

Project Category

WB categorizes projects in the following manner (**Table 1**)

(a) Category A: A proposed project is classified as Category A if it is likely to have significant adverse environmental impacts that are sensitive, diverse, or unprecedented. These impacts may affect an area broader than the sites or facilities subject to physical works. The environmental assessment for a Category A project examines the project's potential negative and positive environmental impacts, compares them with those of feasible alternatives (including the "without project" situation), and recommends any measures needed to prevent, minimize, mitigate, or compensate for adverse impacts and improve environmental performance. For a Category A project, the borrower is responsible for preparing a report (generally a full EIA).

(b) Category B: A proposed project is classified as Category B if its potential adverse environmental impacts on human populations or environmentally important areas--including wetlands, forests, grasslands, and other natural habitats--are less adverse than those of Category A projects. These impacts are site-specific; few if any of them are irreversible; and in most cases mitigation measures can be designed more readily than for Category A projects. The scope of environmental assessment for a Category B project may vary from project to project, but it is narrower than that of Category A assessment. Like Category A, it examines the project's potential negative and positive environmental impacts and recommends any measures needed to prevent, minimize, mitigate, or compensate for adverse impacts and improve environmental performance generally within an EMP, pre-EIA, checklist, etc. For some Category B projects, an Environmental Management Plan or other instrument (e.g. environmental audit) may be sufficient.

(c) Category C: A proposed project is classified as Category C if it is likely to have minimal or no adverse environmental impacts. Beyond screening, no further environmental assessment action is required for a Category C project.

Table 1: Classification of project according to WB OP 4.01 and funding in the FIP

No.	Category	Grade	Remarks
1	Project causes significant impacts which can be mitigated	A	Projects require full EIA. Such projects cannot be funded under FIP.
2	Projects cause lesser impacts which are remediable and can be mitigated	B	Projects partial EIA. Project may be funded under FIP.
3	Projects can be expected to have little or no environmental impact	C	Projects do not require an EIA. Project may be funded under FIP.

1.6 Linkage between National and World Bank Safeguard Policies

The Government of Tanzania and the World Bank wish to ensure that the FIP is carried out fully in line with Tanzania's environmental and social policies and legislation and the applicable World Bank Safeguard Policies. Tanzania's EA framework considers the term "environment" in its broadest sense, incorporating natural, human, cultural, historical, aesthetic, economic and social heritage components. The Bank shares the general objective of considering natural and social aspects in an integrated way, and this ESMF has been conducted from this perspective. The World Bank's safeguard policy, OP 4.01 Environmental Assessment, requires that all Bank-financed operations are screened for potential environmental and social impacts, a view shared by the Tanzania National EIA Procedures and Guidelines. Both policies emphasize that the required environmental work be carried out on the basis of the screening results. Thus, the proposed screening process is consistent with Tanzania legislation and the WB policy on environmental assessment.

CHAPTER FOUR

BASELINE DATA

4.1 Country Background: Physical geography and climatic condition

The United Republic of Tanzania is located between 1ºS to 12ºS and 30ºE to 40ºE. It constitutes Mainland Tanzania and Zanzibar. It is a vast country with an area of about945,087 sq. km and comprises a land area of 883,749 sq. km (881,289 sq. km mainland and 2,460 sq. km Zanzibar), plus 59,050 sq. km inland water bodies. It shares borders with eight countries. Its neighbors are Kenya and Uganda in the North, Rwanda, Burundi and Democratic Republic of Congo in the West, Zambia and Malawi in the South West and Mozambique in the South. A range of physical features gives the country almost all climatic conditions and a great diversity of flora and fauna. The climatic zones include the coastal climate, sub-tropical, arid and semi-arid zones, semi-desert, temperate and alpine climates. Rainfall ranges from 400mm in arid areas to 2,000 mm in the highlands (URT, 2007).

4.2 The Environment

Environment may be defined as a complex set of physical surroundings of humans being including air, land, water, climate, light, odor, micro-organisms, the biological factors of animals and plants, cultural resources, and the socio-economic factors of aesthetics that include both the natural and the build environment and the way they interact (EMA, 2004) The set of physical geographic and biological conditions in Tanzania varies from one area (locality) to another and this determines the capacity and extent of support to individuals or organisms. Tanzania like most Sub Saharan countries is believed to be facing with increasing pressure on environmental resources, in spite of being a nation endowed with rich resources in relation to population size. The 2007 State of the Environment Report identified the main causes which are gaining impetus, including deforestation, soil erosion and water pollution resulting from uncontrolled land use. In response to environmental problems Tanzania has made considerable progress in achieving sustainable environmental management through putting in place the Environmental Management Act No 20 of 2004 and the National Strategy for Growth and Reduction of Poverty (NSGRP, 2005), in which environmental issues have been mainstreamed. In addition, the National Environmental Policy of 1997, Local Government Reform Program 2001, National Development Vision 2025 and sector-specific policies, legislation, programs and strategies all reflect important environmental management issues. With regard to urban planning and management of settlement, Tanzania has experienced rapid urbanization, particularly since independence in 1961 (URT, 2007). There is a clear cause and effect relationship between urbanization and environmental degradation. Of particular concern is the limited capacity of authorities, agencies and community groups to address issues of land use management and environmental conservation within the formal and informal settlements.

4.3 Population and Population Dynamics

Based on the 2002 Population and Housing Census, the country was reported to have about 34,569,232 people: 33,584,607 in mainland Tanzania and 984,625 in Zanzibar, with an annual average intercensal growth rate (1988– 2002) of 2.9 (NBS, 2005). It is estimated that by 2005 the country had about 36.2 million people (17.7 million people being male and 18.5 million female). The average household size was estimated at 4.9 overall and 4.9 and 5.3 in mainland Tanzania and Zanzibar respectively. The population density was estimated to be 39 persons per sq. km overall and 38 and 40 persons per sq. km in mainland Tanzania and Zanzibar respectively.

4.4 Tanzania Financial Sector Overview

The banking sector is concentrated and has a long tail of small banks. 18 domestic and 29 majority foreign-owned banks, hold 92 percent of banking assets with the rest being held by the seven state-owned banks. The supply of banking services is concentrated in the largest five (54 percent of assets) and 10 banks (71 percent of assets). Commercial banks are preeminent, holding 96 percent of assets, with the rest comprised of two development banks (3.1 percent of assets), seven community banks (0.5 percent of assets), and five microfinance banks (0.6 percent).

Despite the large number of banks, rural coverage remains very limited, due to banks' focus on urban areas for service provision and infrastructure development. According to Findex, account penetration in Tanzania overall is 40 percent, while it is only 33 percent in rural areas. About 50 percent of bank branches are located in three main cities. Points-of-Sale (POS) are also mainly concentrated in urban areas. The number of access points in the country is very small: there are 2.7 bank branches per 100,000 adults compared to 5.4 in Kenya, while ATM penetration stands at 6 ATMs per 100 thousand adults in Tanzania in 2015 (compared to over 10 both in Kenya and Mozambique).As of April 2016, there were less than 5,500 POS terminals in the country, roughly 22 per 100 thousand adults (compared to over 100 in Kenya and 34 in Mozambique). Nationwide, there are currently 55,851 financial access points. Mobile money agents make up 81.1 percent of the base.

Overall, banking in Tanzania can be characterized as intermediation of domestic deposits for credit provision and investment in government securities. On the asset side, loans (51 percent) and government securities (19 percent) dominate, with deposits at the BoT (14 percent) and other banks (9 percent) constituting most of the remainder. The credit to deposit ratio is modest at a little over 50 percent, indicating the potential for growing the loan book amongst Tanzania's banks.

Following the economic slowdown, asset quality problems have increased overall although overall capital adequacy for the banking system is good. The system-wide NPL ratio increased from 6.1 percent in 2014 to 11.3 percent in 2017. The rise in NPL ratios is driven by a combination of economic developments, discretionary government and prudential action that has allowed banks to keep NPLs on their books for a longer period before writeoff. The increase has been widespread, but particularly pronounced in medium sized banks and in the very small ones. Of the very small nine banks, 5 have been closed and the closure of additional 4 has been announced.

In spite of recent progress in financial inclusion, the financial system remains shallow and does not serve the real economy adequately, and with a recent slowdown in credit growth the gap is expanding. While the share of the adult population that is formally financially included increased to 65 percent in 2017 from 16 percent in 2009, driven by the spread in mobile money services, in the same period, financial assets as a percentage of GDP have declined as a percentage of GDP from 43 percent in December 2015 to 36 percent as of December 2017.

The ratio of private sector credit to GDP has increased by only 3 percentage points since 2009 and remains at a very low 14 percent, well below the average private sector lending to GDP ratio of 60-80 percent in other lower income countries (LICs)[7]. Tanzania also has less than half the percentage of firms reporting access to credit as compared to neighboring Kenya. And a large percentage of firms, well above average sub-Saharan Africa (SSA) levels especially small and medium firms report access to finance as a major constraint. Of the financing that is provided, most of it is short term in nature. The availability of long-term funding is extremely limited in Tanzania. Financial institutions depend on deposits for their lending but the large proportion of their deposits are short term have maturities (the average tenor of deposits is about 136 days or 4.5 months). Therefore, they are usually unable to lend long-term, as this would result in maturity mismatch. While there is no data being collected for the banking system in aggregate, sample data from select banks and interviews with banks reveal that in most cases, enterprises would be able to obtain only one-year loans, which greatly limits opportunities for investment, inhibiting firms' capacities to grow, expand and create more jobs.

Private sector credit is highly concentrated in a few large corporates, leaving MSMEs with low access to finance. Corporate sector lending accounts for three quarters of the portfolio and is concentrated in a few economic sectors, mainly trade, construction and manufacturing; and in a few account holders (the top 50 corporate borrowers accounting for over 80 percent of the segment's lending in the largest banks). With the population of over 50 million people and over 3 million MSMEs, the number of both individuals and businesses served by banks is very small. This, overall, not only is credit intermediation limited but of what is being extended by banks, larger firms command a disproportionally high share of loans outstanding, leaving Tanzania MSMEs with inadequate access to finance leaving them unable to grow optimally and contribute in a bigger way to job creation.

7 IMF: United Republic of Tanzania selected issues—macro financial issues; IMF Country Report No. 16/255.

Furthermore, credit is expensive in Tanzania and even more so for MSMEs. One-year lending rates for the banking sector hover at around 18 percent in nominal and 14 percent in real terms. High lending rates are mainly due to limited competition in the banking sector, despite the large number of institutions, and elevated public borrowing needs, which are pushing up Treasury yields and provide banks with a lucrative and risk-free alternative to private sector lending. Furthermore, the recent decline in BoT's discount rate from 16 percent to 9 percent has failed to reduce average lending rates. Excessive reliance on collateral requirements add to the difficulties faced by MSMEs in raising finance. Around 96 percent of loans in Tanzania require collateral, compared to 80 percent in SSA and 77 percent worldwide. On average firms are expected to hold collateral worth 260 percent of the loan they are taking from the bank, which is beyond the SSA average (175 percent) and represents a significant obstacle to business growth.

Malfunctioning credit reporting system (CRS) make access to credit for MSMEs even more difficult. Financial statements of most small businesses cannot be relied upon. While Tanzania has undeniably made progress in the establishment of a CRS in the country and coverage has been growing, a lot of work still lies ahead. Currently when banks submit information to the credit bureaus, a lot of rejections occur by the Databank because of low quality of information. The Government is currently addressing the lack of unique IDs, which will improve the quality of data submitted credit reference bureaus. Tanzania also lacks an effective collateral management system.

And women owned MSMEs, which account for over 50 percent[8] of MSMEs in Tanzania, face additional challenges in accessing credit. The Tanzania Systematic Country Diagnostic (SCD) found that there are very large gender gaps in household enterprises in terms of firm performance. The analysis shows that the performance of female-owned household enterprises is more responsive to the use of formal credit than their male counterparts, which suggests that female entrepreneurs would benefit from greater access to financial services more than male entrepreneurs. Moreover, collateral tends to be a binding constraint for women in accessing credit, since they are less likely than men to own valuable fixed assets such as land or property.

Overall, MSME finance gap reported by IFC is US$ 5.8 billion in Tanzania. The 2013 Enterprise Survey for Tanzania conducted by the WBG and the World Economic Forum (WEF) Executive Opinion Survey 2017 reveal that the main obstacle to doing business in the country is access to finance. Only 17 percent of firms in Tanzania have a line of credit, and 38.7 percent of respondents in the 2013 Enterprise Survey noted that access to finance was their biggest obstacle. WEF Executive Opinion Survey 2017 shows that the top most problematic factor for doing business is access to finance (19.5 percent of responses).[9] The

[8] According to the Ministry of Trade and Industry National Baseline Survey Report "MSME in Tanzania" (2012), 54 percent of small businesses are women owned

[9] The top factor was corruption with 17.0 percent of responses, only marginally ahead

report ranks Tanzania 78th in the world by ease of access to loans and 118th by affordability of financial services (out of 138 economies).

The limited level of sophistication of many MSMEs also limits their access to credit. Owners of many small enterprises lack business education, skills to prepare financial statements and business plans. Discussions with banks reveal that the number of qualified female-owned businesses is particularly small. It would be important to develop a pipeline of promising female-owned enterprises to borrow from banks and this could be achieved through widely advertised business plan competitions and extensive technical support to the winners to make them “bankable”.

The microfinance sector has been developing over the years but still faces several challenges. These include inadequate legal and regulatory framework, weak national microfinance umbrella organization, poor management information system (MIS), weak capacity of microfinance service providers, and presence of abusive practices of consumers in some cases. There are estimated to be 400 microfinance companies, 5,000 SACCOS, and 200,000 VICOBAs and VSLAs and other similar institutions serving mostly micro enterprises. Most of these institutions are unregulated with inadequate capacity to collect statistical and other relevant information regarding their operations. Consequently, data is lacking on both the microfinance company and SACCO sectors to paint an accurate picture of these sectors, a challenge that this project will address. MoFP in collaboration with the Bank of Tanzania (BOT) and other relevant stakeholders have prepared a revised National Microfinance Policy launched in October 2017 to reflect the new developments in the microfinance sector.

To strengthen GoT access to finance programs, the National Economic Empowerment Council (NEEC) was created to oversee them. NEEC was established in 2005 under the Prime Minister’s Office with the responsibility of supervising, monitoring and coordinating all economic empowerment activities. Currently the government of Tanzania has total of 20 empowerment funds. NEEC has been guiding, leading and coordinating these empowerment funds through regular meetings and setting up strategies for the better performance. NEEC has been an active promoter of women for years. It has organized forums for women which have been instrumental in sharing knowledge with them in several key areas, including obtaining loans from banks and issues related to taxes. Moreover, NEEC promotes the policy of increasing women’s participation in public procurement. It helps women to better understand public procurement nuts and bolts and identify opportunities in public procurement.

However, these programs have their weaknesses and suggestions have been made to strengthen such programs including in the recently completed Economic Empowerment Implementation Report (2005-2015) and an Assessment of the Economic Empowerment Funds (2017)[10]. The aim to establish the impact of the funds on the economic empowerment, identify good practices on enhancing operation effectiveness and efficiency

[10]These studies were supported by the United Nations Entity for Gender Equality and the Empowerment of Women

and to recommend options to revise policies and strengthen program implementation. The results indicate that a total of about US$ 800 million has been provided as loans to the target beneficiaries. The total number of beneficiaries reached is conservatively estimated at 238,027. The results indicate that quality of their loan portfolio was rather low and there was no robust monitoring and evaluation of funds' performance conducted on a regular basis, which made it challenging to collect data at the time of assessment. Overall, there is a significant need in improving the monitoring and coordination system of the empowerment funds.

CHAPTER FIVE

POTENTIAL ENVIRONMENTAL AND SOCIAL IMPACTS

5.1 Introduction

Since the actual activities of the program and their respective sites are not yet known, the current status of the environment and the experience of similar types of projects indicate that the proposed FIP sub-projects are likely to incur environmental and social impacts that would require mitigation measures. The proposed FIP will provide opportunities for various activities which might involve renovation of offices, hotels or office buildings, especially for the end users of the fund, agriculture activities, petty business and any other activities performed by the MSMEs. These undertakings are expected to have some environmental and social impacts in which modalities for their considerations or integration is captured within this ESMF. The PIU should ensure integration of environmental and social considerations for the sustainability of the project.

5.2 Impact Identification

Impact identification is a process designed to ensure that all potential significant impacts are identified and taken into account in project design and implementation. A number of 'tools' are available to assist in impact identification (see the Annexes). The simplest, and most frequently used, are checklists of impacts, although matrices, network diagrams and map overlays are also commonly used. The checklists, provide lists of potential impacts associated with specific activities. They provide a quick method of identifying the impacts and in such help also practitioners to avoid overlooking some of potential of the impacts associated with a particular activity. The matrix provides a rather systematic way of evaluating the identified impacts.

The National Environmental Policy, 1997 describes the current environmental issues and cause for concern for both rural and urban Tanzania. The major challenge for urban areas is in the management of solid and liquid waste - the main problem areas being unplanned settlements, industrial discharges, and domestic effluent from larger institutions. The main constraint is the lack of proper solid waste disposal facilities and waste water treatment facilities. Other environmental challenges for urban areas are the lack of a water supply or chronic shortages of water, and inadequate energy resources. In general, the main environmental problems described in the national environmental policy and are relevant to the proposed FIP include:

- Land degradation;
- Lack of accessible, good quality water for both urban and rural inhabitants;
- Environmental pollution;
- Loss of wildlife habitats and biodiversity;
- Deterioration of aquatic systems; and
- Deforestation.

In view of these environmental problems, the implementation of the proposed FIP should not exacerbate these problems.

5.3 Potential Environmental and Social Impacts

In this ESMF, environment is broadly defined to include natural environment (air, water and land) and human wellbeing, health and safety. During the screening process, the ESMF checklist in **Annex III,** will be used to determine that a sub-project is likely to cause environmental and social impacts, and subsequently manage based on the proposed mitigation measures. The potential environmental and social impacts identified here are based on the fact that up to US$ 50,000 will be borrowed for expansion of various project activities. Based on the amount of loan given it is expected that the types of projects are going to be small to medium with minimum environmental impacts. These impacts are however subject to revision during stakeholders meeting. The potential mitigation measures are also highlighted based on the type of impacts identified.

5.4 Screening Activities Likely to Cause Environmental and Social Effects

Table 2presents subproject activities likely to cause environmental and social impacts albeit of varying degrees at different locations.

Table 2: Indicative Summary of activities associated with proposed subprojects[11]

Subproject type	**Activities**	**Impact significant rating**
Rehabilitation of buildings/ irrigation canals	Excavation of soil, water use for construction, brick making, vegetation removal, oil leakage from the construction vehicles, production of construction waste	Low
Improvement of agricultural field	Soil removal, tree cutting, emissions, burning	Low
Fishing	Buying of more fishing vessels, storage containers	Low
Food processing	Buying of more machines and materials, solid and liquid waste production, emissions,	Low
Expansion of small manufacturing industries	Buying of more machines and materials, solid and liquid waste production, emissions,	Low
Expansion of commodities shop	Buying of goods of various types, production of solid waste from packages of goods, indoor emissions,	Low
Expansion of SACCOs	Enrolment of more members, increase in loan	Low

[11] This list is only indicative and is not exhaustive. Exact type of activities will be determined based on the application submitted by the MSMEs for the credit line

	provisions to members, production of waste (office),	
Environmental projects	Buying of more vehicles for waste collection and transportation, emissions, oil leakage	Low

Using ESMF checklist, on-lending PFI / EIA Consultants will screen each subproject's activities and determine components / activities likely to cause impacts by filling in the "No" or "Yes" part of the ESMF checklist matrix. The screening shall extend through entire subproject cycle from site selection, mobilization/construction and operation to decommissioning of whole or components of the sub-project.

Potential Direct Environmental and Social Impacts and Mitigation

Potential direct environmental and social impacts are a result of interactions between sub-projects' activities with the relevant baseline aspects (valued receptors). Impacts may emanate from any of the project components. The ESMF checklist lists mitigation measures and management controls connected to each identified impact that the project teams will use to check if the subproject ESMP addresses the negative impacts or enhance positive ones.

(i) Impacts on natural vegetation and biodiversity

Although such projects are not highly anticipated given the amount of loans which will be provided, screening may determine that a subproject is likely to affect land and water areas. Impacts are expected to be minimal because none of the sub project to be implemented in the project are likely to involve total replacement of natural habitats as they mostly involve expansion and improvements of existing structures or projects.

Mitigation measures in the ESMF checklist aim to minimize loss to land or water body because this will be done in the existing projects which have been operating for sometimes.

(ii) Impacts on water resources and management

Water resources constitute surface water found in natural water bodies (lakes, rivers, wetlands, ponds) man-made water retention structures (dams, reservoirs, troughs) and underground aquifers. During screening it may be determined that a subproject (located close to or leading into natural water sources) is likely to cause impacts on local water resources including (i) eroded soils from construction activities obstruct natural drainage systems and cause effects on the integrity of watercourses, drainage, and sedimentation regime; (ii) paving of surfaces (vehicle parking areas, bus stand etc.) increase rain water catchment exacerbating storm water management of an area; (iii) potential to deplete water resources due to construction activities requirement for water inputs e.g. for mixing, cleaning, dust dousing etc. and water for drinking and ablution purposes for construction crew.

Mitigation measures in the ESMF checklist include determination of water needs before extraction to determine available quantities (especially if involve underground water resources); adoption of alternative strategies to avoid/minimize extraction from natural water bodies, sourcing from authorized Municipal/community water supply systems; channeling surface water from paved areas to storage troughs and measures to manage deposition of eroded soils into water bodies.

(iii)Impacts on land, soil and construction mineral resources

Depending on type of subproject and nature of locality, screening could determine that construction works will involve some degree of land disturbance and/or movement of soils and thus expose the soils to erosion by the elements (wind, rain) and lead to land degradation at construction sites and offsite quarry sites. Main potential impacts are degradation of land and soils – substantially reducing their quality (nutrients, water retention, physical properties etc.) below acceptable levels; and depletion of land, soil and mineral resources. Soils on hilly and undulating areas when exposed are more susceptible to erosion. Expansion of buildings or irrigation canals may require more works and for longer periods. However, many of the sub projects which are expected to be implemented are relatively small and rather involve expansion works than new construction. Secondary impacts at points of extraction of the construction materials may include depletion of local construction materials such as sand and bricks.

Mitigation measures focus is on the phase prior to planning by authorities and Contractor. Instructions to the Contractors shall include soil erosion control and land rehabilitation measures; supervision and monitoring during and after sub-project implementation. Contractor shall identify erosion prone areas, identify permanent erosion control measures (applicable for a particular site) and plan construction works and sites to limit quantity of material likely to be eroded and transported into watercourses.

(iv)Materials Efficiency and Wastes

Sub projects for improvement of waste collection and disposal infrastructure aim to increase wastes collection efforts in urban centers in an environmentally suitable and socially acceptable manner. Planned or accidental discharging of various types and quantities of solid and liquid wastes, spillage / leakages of materials emanating from sub-project directly into the environment may impair qualities of receiving medium: surface water bodies (BOD, COD) and underground water sources; contaminate and reduce quality of land areas or soils. The effects will tend to be severe if discharged wastes are hazardous and/or will contaminate water sources used for domestic purposes or arable land. Discharges in a water habitat tend to reach further due to dispersion, but severity of contamination is reduced by dilution. The effects on land will tend to be concentrated and localized, not dispersed or diluted (unless by rain).

Mitigation measures in this ESMF check list hinge on development and implementation of subproject – specific Waste Management Procedure / Plan that (i) identify what type of solid or liquid wastes and categories of wastes the subproject will handle (biodegradable / organic wastes; packaging materials; non-biodegradable (metallic, plastic), construction wastes, and hazardous wastes i.e. medical wastes, fuels, oils, lubricants, vehicle / machinery fluids etc);(ii) identify ways to reduce the volume of waste by reusing or recycling initiatives; (iii) use best available mechanisms, practices and technologies for waste collection and transportation water treatment facilities and solid waste disposal sites.

(v) Impacts on Air Quality and Climate Change

Emissions emanate from fuel powered equipment i.e. vehicles engines and construction equipment etc. Exhaust contain pollutants notably carbon-dioxide (CO_2) plus small quantities of noxious gases such as nitrogen oxides (NO_x), sulphur dioxides (SOx), hydrocarbons and particulate matters (PM). These Green House Gases (GHGs) are known to interfere with temperature regime and cause climate change effects. Clearance of vegetation reduces vegetation cover thus reducing sink for carbon-dioxide and consequent climate change effects. However, the impact on air quality will be minor and localized due to sizes of projects. Increase of air pollution from dust, odors, and noise etc. cause modifications to air quality.

Mitigation measures in this ESMF for managing air and noise pollution hinge on avoidance strategies; equipment operations and maintenance measures that minimize emissions of substances into the atmosphere.

(vi) Impacts on Landscape and Visual Amenity

Project aspects likely to affect landscape and visual quality are activities that cause modifications in the quality of the landscape features or erection of structures that do not blend with the natural setting of an area. These include land clearance that leaves bare areas or eroded areas in otherwise green surroundings. Haphazardly disposed wastes are an eye sore and result in loss of visual amenity of affected area. The effects will be more felt at areas designated as tourist destination.

Mitigation measures in this ESMF for managing landscape and visual amenity include avoidance and minimizing strategies.

(vii) Impacts on Built Environment

Construction works or subproject physical presence could cause physical damage or restrict access or delay access to existing infrastructure (albeit temporarily) e.g. roads, electrical installations (below ground and overhead lines), water intake and supply systems, homes, business and service institutions and other natural sites causing disturbances to local residents and users. Infrastructure being located in already developed areas invariably will operate using existing support facilities and associated services i.e. water supply system. Connection to existing utility facilities without considerations of available resource would increase pressure on the system depending on their carrying capacity.

Mitigation measures in this ESMF hinge on prior information /notices to and consent by other operators and users of affected infrastructure.

(viii) Impacts on Land Rights and Land Use

Activities that may have impact on one’s land, assets or livelihoods will be not considered for financing.

(ix) Impacts on Community Livelihoods

Positive economic impacts of the project include contribution to community incomes. Other direct and indirect positive effects include increased employment opportunities at all levels; development of new services; improvements that accrue from improved access. Indirect negative impacts relate to expansion of the sub projects may associate with the influx of people looking for job opportunities in the sub-project areas. Arrival of new people may have the following negative impacts (i) increased social tensions in communities due to actual or perceived economic competition, (ii) social tensions due to cultural or traditional differences; (iii) inappropriate (sexual) relationship between the local population and new arrivals; and (iv) additional pressure on local social and health services and resources (increase water users).

The size of the MSMEs sub-loans are too small to generate any negative impact on the local communities.

(x) Impacts on Public Health and Safety

Infrastructure located at public places or used by general or specific segment of population are associated with congregates of people. Several causes of hazards to public relate to design of sub projects with inadequate water supply are predisposed to poor sanitation and hygiene; buildings without provisions for fire prevention or enough ventilation are risks to users. Lack of periodic maintenance of drains creates breeding grounds for water-borne vectors of diseases such as malaria mosquitoes and bilharzias snails and water-borne infections.

Mitigation measures: the design and implementation process of sub projects should take into consideration health risks that are prevalent in the project area (e.g. guinea worm, malaria, meningitis, cholera etc.)

(xi) Occupational Health and Safety Risks

Table 3: Summary of potential risks likely to occur to sub projects

Sub-project aspect / activity	Potential Risk
Exposure to dust, noise	Disturbances / nuisance and discomfort
Injuries from sharp / falling objects, falling from heights	Serious injuries
Exposure to water-borne infections from food, drinking water	Poisoning, loss of life
Exposure to sun/heat	Sickness and ill-health (reduced manpower)
Negligence due to fatigue / loss of morale	Loss of production time Loss of property

Mitigation actions in the ESMF include measures for managing air and noise pollution; and safety measures and procedures are adequate and correctly implemented, particularly with regards to work procedures, equipment, and materials.

(xii) Risks to Sub-project from Natural Factors and Processes

Natural factors and processes on site, in near vicinity or catchment areas could be external factors that pose risks on the developed infrastructure or sub-projects.

Table 4: Summary of potential risks to project due to natural factors

<table>
<tr><th>Natural process / aspect</th><th>Potential risk</th></tr>
<tr><td>Extremes of climatic elements: winds, rains, storms, hurricanes, lightening</td><td rowspan="3">• Damage of project structures
• Disruption of project operations and schedules
• Injuries and fatalities to project personnel working on the site or visitors.</td></tr>
<tr><td>Extreme aquatic conditions: waves, tides, currents</td></tr>
<tr><td>Topography of the area: steep terrain cause erosion, stone dislodging, landslides; low terrain cause flooding.</td></tr>
<tr><td>Surface drainage (streams, rivers) close to or cutting across subproject</td><td rowspan="3">• Damage of project structures
• Discharges into project site
• Water stagnation / flooding of project site</td></tr>
<tr><td>Storm water drainage – causing flooding and overflows.</td></tr>
<tr><td>Height of hydro-geological conditions: high water table causing floods</td></tr>
<tr><td>Soil movements (soil erosion)</td><td rowspan="2">Damage to project structures</td></tr>
<tr><td>Geology: seismic activities (earthquakes etc.)</td></tr>
<tr><td>Nearby wildlife areas</td><td>Injuries and fatalities to project personnel working on the site or visitors.</td></tr>
</table>

Mitigation actions in the ESMF include risk assessment to determine conformity of sub-project in terms of: compatibility / co-existence of project with nearby natural features; safe distance from neighboring features; and buffer zone.

(xiii) Risks from Neighboring Anthropogenic Activities

These are anthropogenic activities and other external socio-economic factors on project site, in near vicinity that might affect the subproject.

Table 5: Summary of potential risks to project due to socio-economic factors

Socio-economic aspect / activity	**Potential Risk to Project**
Land disturbances activities: cultivation (slash and burn, bulldozing, livestock grazing,	Destruction of infrastructure or subproject area Conflicts related to trespassing / illegal practices on the project site
Occupation, economic and social status of nearby residences	Theft of materials and portable items with ready-made market or for home use.
Security condition in neighborhood to the project site	Vandalism of structures / equipment Theft of materials and portable items with ready-made market or for home use.
Bush fires practices	Injuries and fatalities to project personnel working on the site or visitors.
	Destruction of subproject area (wooded groves, planted trees / grass)
Boundary fence and buffer zone separating project from neighboring features	Conflicts related to blocked access to local resources present on the site

Mitigation actions in the ESMF include risk assessment to determine conformity of sub-project in terms of: compatibility / co-existence of project with nearby social features; safe distance from neighboring features; and buffer zone.

CHAPTER SIX

INSTITUTIONAL CAPACITY, TRAINING AND TECHNICAL ASSISTANCE REQUIRED TO IMPLEMENT THE ESMF

6.1 Institutions and roles and responsibilities

Roles of BoT

BoT will manage the project and administer the line of credit in accordance with this ESMF, World Bank Safeguard Policies the National policy, legal and regulatory frameworks. Consequently, it will be responsible for: (i) ensuring that all activities (including procurement related activities) that have the potential to have E&S risks are managed according to relevant laws, the World Bank Safeguard Policies and the ESMF. In case of procurement related activities, BoT will ensure that other implementing agents develop TORs that adequately reflects the need for E&S risks management and these risks are appropriately managed during implementation of the consultancies; (ii) designating a staff member responsible for credit line administration as an accountable personnel for implementing the ESMF supported by qualified E&S expertise (potentially through external consultants) throughout the duration of the project (ii) ensuring that contracts with PFIs include clear covenants on the E&S risks management. PFIs will be required to ensure they mainstream those requirements in their engagement and agreements with MSMEs. BoT will continue to provide support to PFIs (as needed) on the implementation of E&S issues as stipulated in the ESMF; (iii) in the case of refinancing, BoT will assess to ensure that the refinanced portfolios meet E&S requirements prior to approving loans to PFIs; and (iv) monitor loan portfolios ex-poste to ensure that PFIs portfolios are in compliance with E&S requirements. BoT will be responsible for monitoring to ensure that PFIs are implementing E&S issues effectively as stipulated in the ESMF. BoT will conduct evaluation on the implementation of E&S issues after every two years.

Roles of PFIs

The responsibility of the PFIs will be to ensure that: (i) projects for requested loans have been properly screened; (ii) the required environmental permits have been obtained by the borrower prior to issuing a loan; (iii) the borrow is compliant after issuing the loan.

The PFIs will be responsible for identifying and managing safeguards risks in line with the national environment and related social laws and the requirements of this ESMF. The National Environment Management Act of 2004 has a clear stipulation on projects which require ESIA and those that do not require ESIA, with clear screening criteria. PFIs will also use WB E&S screening criteria, which will be included in the agreements between BoT and the PFIs. PFI’s are required to appoint a designated staff member who is accountable for implementing the PFI E&S requirements (although responsibilities may be assigned to a qualified, external consultant).

PFIs will train MSMEs on E&S risks and management practices and ensure closely following up compliance with E&S requirements during the duration of the loan. PFIs will also be responsible for preparing reports on the implementation of E&S and submit to BoT on semiannual basis.

Roles of MSMEs

According to the National Environmental Law, the borrowing MSMEs have the responsibility of making sure they comply with the environmental laws and in the case of construction, borrowers must get the right permits in advance of banks issuing the loans.

6.2 Existing capacity, gap and weaknesses in implementation of ESMF

The GoT is providing a conducive enabling environment to address environmental and social issues in the country. The National Environmental Policy and National Environmental Management Act, provide the framework for environmental management. The PIU within BOT which is responsible for the implementation of FIP is aware of environmental and social issues based on experience of managing similar World Bank funded projects. However, in terms of specific E&S expertise, BoT has been relying on external E&S experts to support the PIU team. The majortiy of E&S risks management relate to the LOC which is admistered by an external private entity and BoT role is to carry out ex-ante assessment of the loan portfolio prior to approving loans from BoT to PFIs and ex-poste assessments of PFIs portfolios to ensure compliance.

The ESMF will be implemented through the use of administrative and management structures outlined in this project, but the implementing units would be strengthened through the provision of resources and training at relevant levels to build capacity. As stated above, the EMA,2004, Part Ill (e) requires all government ministries to set up sections and staff for environmental management. In this regard, there is no harm for the project implementing units to pro-actively implement the proposed environmental and social frameworks to build up the required capacity for compliance to the act.

6.3 Institutional capacity needs for environmental and social management

Based on the implementation arrangements and given the fact that BoT will be administering the LOC, the staff responsible for credit line administration will also be responsible for managing safeguards risks and will be supported by a safeguards expert (consultant- **see Annex V**) who will provide short-term support as and when needed. This staff will be accountable for environmental and social management including ensuring appropriate processes for E&S screening, reviews, approvals, monitoring and controls are followed during implementation and operation Project activities..
Stakeholder consultations have revealed most banks consider environmental and social issues partially in loan provision especially for large projects to avoid risk on the business. Other smaller banks do not have the capacity to adequately manage E&S issues. Therefore, capacity building is needed improve capacity in integrating environmental and social issues.

6.4 Training needs for implementing units

A comprehensive training needs assessment and development of a training strategy plan should be carried out as an initial implementation activity of this ESMF. It is further recommended that support from more experienced environmental practitioners (from the National Environment Management Council or Higher training institutions for example) be obtained to "mentor" the implementing units, project coordination committee, BOT, PFIs, MOFP designated staff and other relevant/responsible project beneficiaries. It is therefore recommended that training courses that incorporate aspects proposed in this framework (skills in environmental and social mitigation planning and management) be undertaken for the implementing units. For the purpose of this ESMF, capacity building should be targeted at the planners, implementers and reviewers of the FIP sub-projects. The first steps should focus on assessing the capacity building needs. Training should be designed according to these needs. More specifically, the following steps to build capacity should be taken:

- Training designed for enhancing the skills on environmental and social issues so that they are able to implement the proposed screening process and mitigation measures.
- The training should take the form of Training of Trainers (TOT) in the areas of environmental and social screening, impact assessment, developing mitigation plans, monitoring and reporting etc.
- Subsequently they would then train other staff as required. The training would take the form of short and long training workshop, to equip these staff with the required skills to implement this ESMF thereby ensuring that development activities under the FIP are environmentally sustainable. This level of training could be provided by more experienced Environmental Experts (**refer Annex V**) from higher training institutions or public environmental practitioners.

6.5 Proposed trainings for implementing units

The PIU at BoT has been implementing other WB projects such as HFP, PSCP, etc. In this regard they are aware of the type of training needed to strengthen their capacity. This training targets all PIU team members regardless of their background and position. From time to time PFIs and their selected Clients will be invited in the training to strengthen their capacity as well. The aim is to ensure that all PIU team members are aware of E&S issues. As stated above the PIU has been using a consultant to support E&S issues including training needs. The same person will assist in designing the training materials and conducting the trainings. The WB may continue to support the PIU whenever needed especially during training to ensure that it is properly conducted. Training topics identified covers all aspects of assessment, impact analysis and policy and legal frameworks. The training topics are divided into three with several proposed sub topics as follow:

(a) Environmental and social assessment process

- Screening process;
- Identification of impacts;
- Design of appropriate environmental management plan (EMP);
- Rationale for using Screening form and Environmental and Social Checklists;
- Preparation of terms of reference for carrying out environmental and social impact assessment (ESIA);
- How to incorporate ESMP in project designs.
- How to review/approve an ESIA, screening results, and the kind of criteria for use in this regard;
- How to review and approve overall project proposals;
- The importance of public consultations in the ESIA process;
- How to monitor and report project implementation; and
- Case studies.

(b) Environmental and social policies, procedures and sector guidelines

- Review and discussion of Tanzania's environmental policies, procedures, and legislation;
- Review and discussion of the Bank's safeguards policies;
- Review of ESIA report, ESMF; and
- How to collaborate with institutions at the local, regional and national levels, e.g. NEMC.

(c) Selected topics on environmental and social issues;
- How to make environmental and social profiles of a specific area;
- Environmental degradation e.g. land degradation (soil erosion);
- Environnemental pollution e.g. waste disposal;
- Management of waste,
- Flood protection/control; and
- Ground and surface water management.

6.6 Public awareness for relevant stakeholders

The FIP is meant to cater for different segments of income distribution. For the purpose of encouraging private sector programs involving training, awareness rising, and workshops regarding the project, opportunities available, how to integrate environmental and social issues in project development, and encourage participation of people in the project, procedures within the project implementing institutions administrative and management systems vested with the responsibility of endorsing/approving FIP subprojects.

Subjects covered could include but not limited to the following:
- Main environmental and social problems and challenges related to various projects as implemented by various borrowers;
- Review of environmental and social screening and assessment process;
- Review of the Screening Form, the Environmental and Social Management, and Checklists (if at all available); and
- The role of private developers in the project and how to approve proposed subprojects within FIP.

In general, the project recognizes the paramount importance of building environmental and social management capacity in the various aspects of project implementation. It is further recommended that technical assistance from more experienced environmental practitioners (from NEMC or other agencies for example) is sought to train and "mentor", Financial Institutions and Bankers, and support them in integrating environmental and social issues in the operations such as environmental screening, assessment, mitigation planning, management and eventually review, and approval processes.

6.7 Gender consideration within the project

Financial viability will be the key selection criteria for MSME sub loans and business development services (BDS) for MSMEs. However, the loan agreements with PFIs and contracts with BDS providers will include a clause requiring the institutions not to discriminate against gender, physical ability, language, place of residency, etc. Furthermore, since women in Tanzania are disproportionally disadvantaged when it comes to financial services, the Project will have a focus of increasing opportunities for women to access finance. This will be achieved by providing support to women-owned enterprises and enterprises that employ women, piloting alternative mechanisms for credit screening, supporting business plan developments and improving financial literacy in the country. This in return is expected to result in increase of availability of financial services, greater income opportunity, improved financial literacy and independence of women.

Furthermore, the information campaign that the PIU will do regarding the LOC and BDS will specify that PFIs cannot discriminate based on gender, disability, race, etc. PFIs under the LOC will be required to track lending to women owned enterprises and women employees in the enterprises.

CHAPTER SEVEN

ENVIRONMENTAL AND SOCIAL SCREENING PROCESS OF SUB PROJECTS

7.1 Introduction

The environmental and social screening process will take place once sub-projects are identified for financing as part of FIP (in case of refinancing). In case of financing, BoT will assess E&S compliance of the portfolio ex-poste. PFIs will also be required to undertake screening of individual sub projects prior to issuing a loan based on the screening criteria in **Annex III**. This section identifies and illustrates the specific steps to be involved in the environmental and social screening process leading towards the review and approval of the institution's sub projects from environmental and social management aspects. The steps followed incorporate the requirement of both, relevant national laws and World Bank's triggered safeguards policies. The financial institutions will screen their sub projects to identify adverse environmental and social impacts using the screening form provided. Then the institution will introduce into the sub project design the required measures to mitigate impacts identified from use of the screening form and checklist before submission of the sub project design to the PIU for review and clearance.

The purpose of environmental and social screening process is to:

- Determine whether future project activities are likely to have potential negative environmental and social impacts;
- Determine appropriate mitigation measures for activities with adverse impacts;
- Incorporate mitigation measures into project design;
- Review and approve project proposals, and
- Monitor environmental parameters during project implementation.

The steps involved in the environmental and social screening process leading to the review and approval of sub-projects under the proposed FIP are illustrated below:

7.2 Screening of sub-project activities and sites

The initial environmental and social screening will be carried out through the use of the Environmental, Social and Resettlement Screening Forms (**Annex II and III respectively**). This form will be completed by the PFIs to determine their significance, assign the appropriate environmental category, and propose appropriate environmental and social impact mitigation measures. Environmental screening procedure will lead to identifying projects which will or will not require detailed environmental assessments.

7.3 Assigning the appropriate Environmental and Social impact categories

The assignment of the appropriate environmental category will be based on the provisions of the World Bank Operational Policy (OP 4.01), on Environmental Assessment described above. Tanzania's ESIA procedures are consistent with the environmental and social Impact screening categories contained in the safeguard policy WB OP 4.01 on Environmental Assessment mentioned above. No category A projects will be financed. Sub-projects in environmental Category A will not be eligible for funding. Moreover, the project will not finance sub-projects which may have impacts on natural habitats and sub-projects involving involuntary land acquisition. On-lending to PFIs the Project will be subject to an Exclusion List of Activities (ELA) (**see List in Annex 2**). The ELA activities are prohibited for WBG lending, including IFC's exclusion list. Additionally, activities receiving LOC may not cause any adverse impact on vulnerable groups of population, be located in geographically distinct habitats or ancestral territories, and have any impact on people residing in these territories. According to this ESMF, PFIs will be required to carry out an environmental and social screening, due-diligence (for the existing facilities) and assessment of the proposed subprojects according to the World Bank safeguard procedures, and to ensure that the sub-borrower has the requisite environmental permits as prescribed by national legislation. BoT will be responsible for the quality assurance of these environmental documents and monitoring of the sub-projects.

7.4 Carrying out Environmental and Social Work

After screening and assigning environmental and social category, the extent of environmental work is determined, that is, whether (a) the application of mitigation measures will suffice; or(b) a separate ESIA needs to be carried out. For Category B sub-projects, the results of the environmental and social screening process may indicate the need to carry out a partial EIA. In this case, the more complex environmental procedures (from registration, to preparation of ESMPs, to issuing of an ESIA certificate) as provided for in the EMA, 2004 and National EIA guidelines, 2005 will need to be followed. The sub borrower (MSMEs) will have to seek and pay for the services for environmental assessment and reviews from Consultants and experts at NEMC. Such EIA requires inputs from teams of Environmental and Social specialists/consultants. The steps for carrying out an environmental impact assessment are outlined in **Annex IV**.

7.4.1 Environmental Checklist.

The Environmental and Social Checklist (**Annex VI**) will be completed by PFIs by outlining appropriate mitigation measures from the checklist to be applied, or any others that are appropriate. If there are already existing designs for the sub-project in question, the PFIs will assess the designs for impacts on the chosen land site. If the results of assessing the designs indicate potential significant negative impacts, the borrower will be required to modify the designs to include appropriate mitigation measures.
For example, if the environmental screening process identifies potential contamination of water sources due to inappropriate waste disposal as the main impact from the proposed sub-project, the mitigation measure would be, the project implementer/developer to apply

for another site, that is far away from the water source to avoid contamination or incorporate appropriate waste disposal measures into the design that will enable safe disposal without contamination of water source. The implementation of the mitigations will normally be modified to suit changes or emergencies that may occur on site at the time of project implementation. The checklist therefore should be considered a tool that must be followed to ensure that the key negative impacts are eliminated or adequately kept under control. In this regard, flexibility should be allowed to optimize the implementation of the mitigations for the best results in relation to environmental and social management.

7.4.2 Environmental Impact Assessment

In some cases, the results of the environmental and social screening process may indicate the need to carry out an ESIA, or prepare an ESMP. In this case, the more complex environmental procedures (from registration, to preparation of ESMPs, to issuing of an ESIA certificate) as provided for in the EMA, 2004and National ESIA guidelines, 2005 will need to be followed. The project implementer/developer will have to seek and pay for the services for environmental assessment and reviews from Consultants and experts at NEMC. Such ESIA requires inputs from teams of Environmental and Social specialists/consultants. The steps for carrying out an environmental impact assessment are outlined in **Annex IV**.

Review and approval of the screening activity

PFI credit approval process must include a review of the environmental, social and resettlement screening checklists as well as the environmental checklists that were completed in the course of project preparation to ensure that all environmental and social impacts have been identified and successfully addressed. That is, if the screening form has any "Yes" entries, or unjustified "No" entries, the application would need to adequately explain and demonstrate that the issues raised have been addressed appropriately. PFIs must also ensure that the project designs include adequate monitoring and institutional measures to be taken during implementation and operation.

If the PFIs finds that the submitted design is not consistent with the requirements of the environmental and social screening form and the environmental checklist, then the sub borrower would be requested to re-design (e.g. make additional modifications and/or choose other sites). The project would then be re-screened and resubmitted for review. The PFIs would then review for the second time the revised application. If acceptable, it would be recommended for consideration for approval. If it is not acceptable for the second time, it would be sent back to the implementer for more work or be denied clearance altogether. Any proposed subprojects that do not comply with the requirements of Tanzania's and the WB Safeguard policies will not be cleared for implementation. A summary of the World Bank' safeguard policies are contained in **Annex I**.

At the time of loan application to BOT for refinance or during BoT's ex-post reviews of PFI's loan portfolios, all sub-project documentation must be submitted to the PIU, accompanied by the completed environmental and social screening forms.

The PFIs must involve their own Environmental Consultant or recognized/registered Environmental Experts (Can have the same qualification as stipulated in **Annex V**) in the approval process. In the approval process the following documents must be submitted for considerations;

- Confirmation that the applicant meets the exclusion criteria set out in this ESMF
- Environmental and Social Screening results;
- Confirmation of categorization (i.e. B or C; A is excluded)
- Environmental checklists;
- Sub-projects proposal, designs and implementation schedule;
- Environmental clearance or Certificate for sub-projects that undertook ESIA or at least a letter from NEMC which shows that the ESIA process is underway;
- Environmental and Social Management Plan (as applicable).

7.5 Environmental Review Process (PFIs, PIU and WB)

(a)The PFIs will play the major role in implementing ESMF provisions. The PFIs will be involved in the process of sub-project implementation from the very beginning, i.e. at the sub-project's appraisal stage. They will first need to ascertain that sub-projects meet the requirements of GoT and then screen the sub-projects in accordance with the WB classification (Category A, B or C). Category A projects will not be eligible for financing.

(b) Category B and C projects may be considered for financing. If the sub-project is classified as Category C, it would not require any environmental documentation under the WB's OP 4.01.

(c)For Category B projects, PFIs will be required to ensure that borrowers conduct an appropriate Environmental Impact Assessment (ESIA) and prepare an environmental management plan (EMP) for each sub-project. The PFIs will review the set of documents prepared by sub-borrowers, complete the Environmental and Social Screening Checklist, and will make a final decision on whether the sub-project will receive financing. In case of non-compliance with presumed mitigation measures during sub-project implementation, the PFIs can decide whether or not to suspend funding. The sub-project EMPs implementation will remain under the direct responsibility of the sub-borrowers and the PFIs, including responsibilities for their supervision and monitoring. Compliance with the EMPs and monitoring of the impact during the implementation phase will be undertaken by the PFIs and periodically by PIU ES.

(c) On-lending to PFIs the Project will be subject to an Exclusion List of Activities (ELA) (**see List below**). The ELA activities are prohibited for WBG lending, including IFC's exclusion list.

Box 1. Exclusion List of Activities

1. Any activities involving conversion of natural habitats/ecologically sensitive areas and/or damaging to national monuments, non-replicable cultural properties;
2. Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements;
3. Production or trade in weapons or munitions;
4. Gambling, casinos and equivalent enterprises;
5. Trade in wildlife or wildlife products regulated under Convention on International Trade in Endangered Species (CITES);
6. Production or trade in radioactive materials (this does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where the Bank considers the radioactive source to be trivial and/or adequately shielded);
7. Production or trade in or use of unbounded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20 percent;
8. Drift net fishing in the marine environment using nets in excess of 2.5 km in length.;
9. Purchase of logging equipment for use in cutting forest;
10. Production or trade in wood or other forestry products other than from sustainably managed forests;

11. Production or trade in pharmaceuticals subject to international phase outs or bans;
12. Production or trade in pesticides/herbicides subject to international phase outs or bans;
13. Fishing in the marine environment using electric shocks and explosive materials;
14. Production or activities involving harmful or exploitative forms of forced labor harmful child labor;
15. Commercial logging operations for use in primary tropical moist forest;
16. Production or trade in products containing Polychlorinated biphenyls (PCBs);
17. Production or trade in ozone depleting substances subject to international phase out;
18. Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals (includes gasoline, kerosene, and other petroleum products). Production or storage or packaging of inflammable material;
19. Production or trade or use or storage of dyeing chemicals and dye intermediaries;
20. Any activities requiring industrial production processes requiring regulatory clearances from Pollution Control Boards; and
21. Any activities that could affect disadvantaged communities located in land and territories traditionally owned, or customarily used or occupied by such communities.

(d) For the LOC, the ESIA documentation for the first two Category B subprojects from each participating PFI will be subject to prior review and approval by the PIU and World Bank. The project will also provide PFI capacity-building activities prior to PFI approving of any subprojects. This capacity-building would be completed before prior review by the World Bank.

(e) During sub-project appraisal, PFIs will have to ensure that proposed sub-projects are in compliance with all national environmental laws and standards, as certified by the relevant local or national authorities of the country. All relevant documents and permits should be kept in each sub-borrower document file maintained by the PFI, and be made available for review by PIU / BOT and WB representatives.

(f) Environmental evaluations and review procedures will be subject to ad hoc post review by WB supervision missions. The WB will have the authority to review and post review all sub-projects. The review of evaluations will ensure that: screening was performed consistently and accurately, the work was of satisfactory quality, recommendations specified by the granting of the approvals were followed, all documentation was properly filed and recorded, and that the conditions of approval by the Tanzanian authorities and post review were met. During implementation, WB missions will supervise the overall screening process and implementation of environmental recommendations for selected sub-beneficiary/ sub-projects. The WB supervision team will also review, ad hoc, environmental documentation. Therefore, all this documentation should be kept on file with PFIs and forwarded to BoT and/or the WB upon request.

(g) A training program targeting the PFIs and other interested parties will be implemented in the framework of the project's TA activities. The training program will be practical and include work with realistic case studies, based on actual loan proposals and types of business activities supported by the project. It will also cover an explanation and practical application of the environmental standards and forms designed for use by the PFIs, covering the following issues: (a) national and World Bank requirements for environmental assessment; (b) screening and scoping procedures including checklists of potential environmental impacts of the agricultural production and agro-processing activities; (c) main provisions of environmental management plans for proposed sub projects, including mitigation and monitoring requirements. Field visit also may be included. Such training will enable the PFIs' environmental officers to recognize and assess potential negative environmental impacts of the selected subprojects and set of measures to mitigate them. The program will also provide an overview of the World Bank requirements for social safeguards to ensure that participants understand the triggers of OP4.12 and are able to ensure that the activities screened by them do not trigger it.

7.6 Public Consultation and Disclosure

(a) Since the Category A projects will not be eligible for financing, the public consultation and disclosure policies of WB Category A projects are not discussed in this document.

(b) If the sub-project is a Category B, it will be necessary to conduct a public consultation on the draft EMP which must be prepared to comply with OP 4.01. The PFI together with the sub-project proponent will decide on the appropriate form for this public consultation based on local circumstances. In some cases, this will involve a public meeting while in other cases it may be decided that a procedure to make information on the project and the draft EMP available and invite comments from the public will be more appropriate and effective. It is necessary that a document summarizing the impacts and mitigation activities that will be realized with the implementation of the sub-project (this document can be a draft EMP or an informatory brochure providing the same information) should be made publicly available (on web page and as hard-copies, in local language) in advance (approximately 3-4 weeks before the public consultation meeting). Necessary announcements should also be made about the disclosure of this environmental documentation in whatever media are appropriate to ensure effective dissemination of this information to all likely interested parties.

(c) In addition, once a PFI officially transmits the relevant environmental documentation (EMP, etc.) to the PIU for onwards transmission to WB, the WB makes the report available through its InfoShop. After prior review process, PIU will share the relevant due-diligence and environmental and social documentation with WB via semi-annual progress reports.

(d) For Category C there are no specific consultation/disclosure requirements.

(e) The hot line will be available to beneficiaries and other interested parties to submit their inquiries and grievances on issues related to project activities. A regular review of the hot line log and performance will indicate how activities are implemented and of any issues arising.

CHAPTER EIGHT

ENVIRONMENTAL AND SOCIAL MANAGEMENT PLAN AND BUDGET FOR ESMF IMPLEMENTATION

8.1 Environmental and social management Plan (ESMP)

The ESMF is prepared to establish the mechanism to determine and assess future potential adverse environmental and social impacts of sub-projects that are to be identified and cleared. Borrowers whose sub projects meet the criteria for developing the ESMP (based on screening criteria) will be required to develop the plan, which will consist of a set of mitigation, monitoring and institutional measures. The ESMP will be implemented during implementation and operation of the FIP sub-projects to eliminate or reduce adverse environmental and social impacts, to acceptable levels. The ESMP will be part of the sub-project design and must also include the actions needed to implement these measures, including the following:

Mitigation: Based on the environmental and social impacts from the impact checklist, the ESMP should describe technical details of each mitigation measure, together with the design, description of equipment and operating procedures as appropriate.

Monitoring: Environmental and social monitoring should take place during the implementation of the sub-projects in order to measure the effectiveness of the mitigation measures. The ESMP should include monitoring objectives that specify the type of monitoring activities that will be linked to the mitigation measures. The monitoring section of the ESMP provides:

- A specific description and technical details of monitoring measures that include the parameters to be measured, the methods to be used, sampling locations, frequency of measurements, detection limits and definition of thresholds that will signal the need for corrective action;
- Monitoring and reporting procedures to ensure early detection of conditions that necessitate particular mitigation measures and to furnish information on the progress and results of mitigation;
- A specific description of institutional arrangements, i.e. who is responsible for implementing the mitigation measures and carrying out the monitoring processes (for operation, supervision, enforcement, monitoring of implementation, remedial action, financing reporting and capacity building);
- An estimate of the costs of the measures recommended so that the Implementing institutions can budget for them;
- The planning process of the subproject, the mitigation and monitoring actions recommended in the ESMP should be developed in consultation with all the affected groups, to include their concerns and reviews in the design of the ESMP.

8.2 An ESMF implementation budget

The ESMF implementation budget refers to all costs that will be incurred to implement the requirements or recommendations of the ESMF. The ESMF requirements ensure that implementation of the projects integrates environmental and social issues for the sustainability of the project as well as the sub-projects. Among other things the ESMF recommends the following key issues, namely; training, capacity building, screening, reviewing and monitoring mechanisms. These issues are clearly described here under:

The staff who will be involved in the implementation of the project should be trained to enhance their skills on environmental and social issues. Building the capacity of staff from BoT and other implementing institutions such as MoFP, PFIs, other Financial Intermediaries and Departments will enable them to screen, review and monitor environmental issues in the sub-projects to ensure compliance with requirements of the national policies and Acts as well as World Bank safeguard policies. Based on experience from other related assignments the estimated cost for capacity building would be US$ 100,000.

This ESMF only highlights some needs required for training as well as for capacity building in Environmental and Social Management but it would be necessary to undertake intensive/comprehensive needs assessment for Environmental and Social Management that would enhance successive implementation of ESMF by implementing institutions and other key stakeholder institutions such as PFIs, SACCOS and MoFP for long term and sustainability of the FIP. The needs assessment would come up with specific needs regarding environmental and social management relevant to these institutions. Based on other needs assessment for Environmental and Social Management conducted the estimated costs would be US$ 50,000. Furthermore, screening and reviewing processes would also involve some cost implications. Every sub-project would be screened and reviewed by the implementing unit while involving Environmental Experts. The estimated costs for such processes would be US$ 80,000.

Monitoring plan: there will be monitoring during the implementation of the sub-projects in order to measure the effectiveness of the mitigation measures. The monitoring and reporting procedures will ensure early detection of conditions that necessitate particular mitigation measures and will furnish information on the progress and results of mitigation. The monitoring component will involve some cost implications. Based on previous experience from related projects, the estimated costs for monitoring would be US$ 90,000. Other costs such as cost of undertaking EIAs for sub-projects and implementing subprojects mitigation measures will be covered by the developers. The above described costs are just estimates but the actual costs will be determined during the implementation phase, when the specific number of people required for training will be identified and the level of technical assistance identified.

CHAPTER NINE

STAKEHOLDERS CONSULTED, THEIR VIEWS AND CONCERNS

9.1 Introduction

22 stakeholders were consulted on May 3, 2018 in Dar Es Salaam to get their views and concern about the project. These included banks and financial institutions, microfinance institutions and NGOs, MDAs, and other key stakeholders. Most of stakeholders support the project and would like it to start as soon as possible. A summary views and concerns from various stakeholders are described below while detailed descriptions of each stakeholder are found in **Annex VIII**.

9.2 Financial institutions

Financial institutions such as CRDB Bank, Tanzania Postal Bank, Akiba Commercial Bank, and others appreciate that the demand for the project to boost the performance of MSMEs has been there for sometimes. Commercial institutions revealed that most of banks do consider environmental and social issues partially in loan provision especially for large projects to avoid risk on the business but there is a need to improve capacity in integrating environmental and social issues through training.

However, they cautioned that there should be a good enabling environment in order for FIP to work, such as low interest rate and proper awareness to the communities on the importance of MSMEs and their capacity to borrow. Stakeholders' consultation within commercial institutions revealed that most of commercial institutions are interested in this project and are looking forward to work with Bank of Tanzania to the success of the proposed Project. It is expected that with proper guidance from BoT, potential PFIs will be able handle E&S related issues under project.

9.3 Government Ministries

Key ministries relevant to this project were also consulted. Such ministries include MoFP. Views from ministries also supported the project with expectation that it will help in solving the existing shortage of loans for MSMEs. Given the limited experience of Existing experience in integrating environmental and social issues in financial development projects in the ministry specifically MoFP is not well known. However, this is applicable for larger/big projects. Moreover, it was suggested that, under FIP project ESIAs might not be the case because the projects which are expected to be implemented are small and mostly involving expansion.

In addition, training and capacity building on environmental and social management should be done to all responsible financial institutions and some borrowers in order to acquire necessary capacity and skills. It was revealed that, most of the banks do not consider environmental issues especially for small borrowers whose projects are said not to cause any adverse environmental impacts but some do consider such as CRDB, Tanzania Postal Banks and other local banks especially for the projects.

Some of banks with no capacity use or hire experts to help them whenever there is a need to do so. Therefore awareness, training and capacity building should be provided. Furthermore, views and concerns suggested that the project coordination committee needs to have member with different specialties to articulate all relevant issues within the project.

9.4 NGOs

NGOs such as FINCA, SELFINA, TIMAP, VICOBA FETA and Foundation for Civil Society, Foundation for Energy, Climate and Environment and other microfinance institutions were also consulted. They also appreciate that the Project will help the majority of Tanzanians since the demand for loans and other financial needs is huge within the country. But they cautioned that the main problem in Tanzania with regard to loans is the issue of collateral. The issue of collateral does not attract borrowers who are interested in expanding their business because they are afraid of losing their houses, or any other assets used as collateral.

The legal system is also a problem as borrowers are afraid of having endless cases in the court once someone defaults. The issue of bureaucracy is also a problem in Tanzania especially if you want to start a new project. There are so many agencies giving permits and certificates before one can start a business. All these are stumbling blocks to the implementation of the project.

Regarding environmental issues most NGOs take into considerations environmental factors as a condition for provision of loans due to policies set by their donors and few international financial institutions. Some of them have policies that describe conditions when considering loan provision with a list of issues to be considered including environmental issues. For example, some NGOs such as FINCA do not provide loans to any investment that will cause pollution to environmental or will involve production of hazardous material. Same conditions for environmental and social considerations should also be incorporated in this project.

CHAPTER TEN

CONCLUSION AND COMMITTMENTS

This ESMF has been prepared to establish the mechanism to determine and assess future potential adverse environmental and social impacts of sub-projects that are to be identified and mitigated under FIP. The ESMF provides guidance to the project implementers to address potential environmental and social safeguards concerns on sub-project activities from preparation, through review and approval to implementation. The potential impacts identified were based on the fact that MSMEs will borrow up to US$ 50,000 which indicates that projects to be implemented will have minimum environmental impacts generally site-specific, largely reversible, and readily addressed through mitigation measures.

These projects are also expected to range from agriculture, small businesses which include selling cereals and milling, food processing, manufacturing, tourism, transportation and logistics projects. Such projects are expected to have minimum impacts which might be associated with removal of vegetation, excavation of earth soil, soil and water pollution, emissions of green-house gases, oil and diesel/petrol spillage, processing of hazardous chemicals and noise, to mention few.

All of the above impacts, at small scale are highly reversible and can be mitigated by employing mechanisms such as replanting of trees and vegetation for the project which will involve removal of vegetation, using proper containers to collect oil or diesel to avoid spillage, low use of pesticides and herbicides for agricultural projects, avoid use of other hazardous chemicals and use of noise absorbers in cases where noise will be detrimental.

Social issues will be mitigated by ensuring stakeholders consultations is adequately conducted, and GRM is put in place. The environmental and social screening process (**See Annex II**) provides a mechanism to enable implementers to identify, assess and mitigate potential environmental and social impacts of sub-project activities, including the preparation of site-specific safeguards instruments, namely Environmental and Social Impact Assessments (ESIAs) or ESMPs where applicable, in accordance with the EMA, 2004 as well as World Bank safeguard policies, particularly Environmental Assessment (OP/BP 4.01). The framework among other things mentions the World Banks' safeguard policies that are triggered by the proposed financial inclusion project, identifies potential environmental concerns/impacts, environmental and social management plan, institutional responsibilities, capacity building, training needs, and technical assistance required.

In view of all these the ESMF therefore recommends the following:

- <u>Capacity Building:</u> The ESMF recognizes existing gaps and challenges for implementing ESMF under this project and realizes the importance of strengthening the capacity of key implementing institutions. However, currently, most Ministries and Departments lack the necessary capacity to comply with requirements of national policies and Acts as well as World Bank safeguard policies. Capacity building is key in this respect.

- <u>Training needs</u>: Staff who will be appointed to the PIU in BoT to administer the LOC, the capacity building components, and monitor the project must have the necessary skills in Environmental and Social Management. Training in environmental management will be delivered. Training topics may include an overview of environmental issues within the FIP, introduction to EIA processes and methods, impact analysis, EIA review, the role of the public and stakeholders, EIA experience in Tanzania, and case studies. In addition, BOT will appoint or hire a dedicated staff with expertise in E&S risk management.

- The implementation of FIP sub-projects will integrate environmental and social issues in relation to the sub-project as outlined in this ESMF. The ESMF requires this project to ensure that procedures are followed in relation to environmental and social screening, review and approval prior to implementation of sub-projects to be financed under the FIP. Furthermore, appropriate roles and responsibilities, for managing and monitoring environmental and social concerns related to sub-projects should also be followed.

REFERENCES

URT - The National Strategy for Growth and Reduction of Poverty (NSGRP)
URT (2017) – The National Microfinance Policy

URT (2017/18) – National Microfinance policy implementation strategy

URT (2002) – National Gender Policy

URT (1996) – The National Investment Promotion Policy

URT (1997) – The National Environmental Policy

URT (2006) – The Banking and Financial Institutions Act

URT (2004) – The Environmental Management Act No. 20

URT (2005) – Environmental Impact Assessment and Audit Regulations

URT (2004) – Income Tax Act

URT – Tanzanian Environmental Management Act Cap 191

URT (2017) – FinScope Survey 2017

URT (2004) – The Environmental Management Act., Part Ill (e)

URT (2005) – National ESIA guidelines, 2005

WB – Corporate Grievance Redress Service (GRS)

WB – Environmental Assessment (OP/BP 4.01)

WB – Forests (OP/BP 4.36)

WB – Involuntary Resettlement (OP/BP 4.12)

WB – Indigenous Peoples (OP/BP 4.10)

WB – Safety of Dams (OP/BP 4.37)

WB – Pest Management (OP 4.09)

WB – Physical Cultural Resources (OP/BP 4.11)

WB – Natural Habitats (OP/BP 4.04)

WB – Projects in Disputed Areas (OP/BP 7.60)

WB – Projects on International Waterways (OP 7.50)

ANNEXES

Annex I: Summary of World Bank Safeguard Policies

Name of the Policy	**Objectives of the Policy**	**Triggers and Applicability to FIP**
Environmental Assessment (OP/BP 4.01)	To ensure that Bank-financed projects are environmentally sound and sustainable, and that decision-making is improved through appropriate analysis of actions and their likely environmental impacts	This policy is triggered if a project is likely to have potential (adverse) environmental risks and impacts in its area of influence. Depending on the project, and the nature of impacts a range of instruments can be used: EIA, environmental audit, hazard or risk assessment and environmental management plan (EMP). When the project is likely to have sectoral or regional impacts, sectoral or regional EA is required. The Borrower is responsible for carrying out the EA. Under FIP,BOT has prepared this ESMF and will comply with national EIA regulations which outline the environmental screening process to be applied to sub-projects implementation.
Forests (OP/BP 4.36)	To assist borrowers to harness the potential of forests to reduce poverty in a sustainable manner, integrate forests effectively into sustainable economic development and protect the vital local and global environmental services and value of forests. Among many other procedures, the Bank uses environmental assessments, poverty assessments, social analyses, Public Expenditure Reviews and other economic and sector work to identify the economic, environmental and social significance of forests in borrowing countries.	The policy is triggered whenever any Bank-financed investment project (i) has the potential to have impacts on the health and quality of forests or the rights and welfare of people and their level of dependence upon or interaction with forests; or (ii) aims to bring about changes in the management, protection or utilization of natural forests or plantations. Any sub-project that would trigger the policy will not be funded.

Involuntary Resettlement (OP/BP 4.12)	1. Avoid or minimize involuntary resettlement where feasible, exploring all viable alternative project designs; 2. Assist displaced persons in improving their former living standards, income-earning capacity, and production levels, or at least in restoring them; 3. Encourage community participation in planning and implementing resettlement; and 4. Provide assistance to affected people regardless of the legality of land tenure.	The policy is triggered whenever there is any loss of land or other assets resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; (iii) loss of income sources or means of livelihood, whether or not the affected people must move to another location. It also applies to the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of the displaced persons. Any sub-project that would trigger the policy will not be funded

Indigenous Peoples (OP/BP 4.10)	1. Ensure that the development process fully respects the dignity, human rights, economies and cultures of Indigenous Peoples; 2. Ensure that adverse effects during the development process are avoided, or if not feasible ensure that these are minimized, mitigated or compensated; and 3. Ensure that indigenous peoples receive culturally appropriate and gender and intergenerational inclusive social and economic benefits.	The policy is triggered when the project affects the Indigenous Peoples. This policy will not be triggered, no proposed activities may cause any adverse impact on vulnerable groups of population, be located in geographically distinct habitats or ancestral territories, and have any impact on people residing in these territories”

Safety of Dams (OP/BP 4.37)	1. To ensure that experienced and competent professionals design and supervise construction of new dams, hence, the Borrower adopts and implements dam safety measures for the dam and associated works. 2. To ensure that any existing dam that can influence the performance of the project is identified, a dam safety assessment is carried out, and necessary additional dam safety measures and remedial work are implemented.	Actions are triggered when the Bank finances: (i). A project involving construction of a large dam (15 m or higher) or a high hazard dam (see note); (ii). A project which is dependent upon an existing dam. For small dams, generic dam safety measures designed by qualified engineers are usually adequate. FIP will not be funding subprojects for construction or rehabilitation of dams.
Pest Management (OP 4.09)	1. Promote the use of biological or environmental control and reduce reliance on synthetic chemical pesticides. 2. Strengthen the capacity of the country's regulatory framework and institutions to promote and support safe, effective and environmentally sound pest management.	Procurement of pesticides or pesticide application equipment is envisaged (either directly through the project, or indirectly through on-lending, co-financing, or government counterpart funding). The project may affect pest management in a way that harm could be done, even though the project is not envisaged to procure pesticides. This includes projects that may (i) lead to substantially increased pesticide use and subsequent increase in health and environmental risk, (ii) maintain or expand present pest management practices that are unsustainable, not based on an IPM approach, and /or pose significant health or environmental risks. No sub-projects involving an increased use of pesticides will be funded under FIP.

Physical Cultural Resources (OP/BP 4.11)	The Bank assists countries to avoid or mitigate adverse impacts of development projects on physical cultural resources. ‘physical cultural resources’ are defined as movable or immovable objects, sites, structures, groups of structures, natural features and landscapes that have archaeological, paleontological, historical, architectural, religious, aesthetic, or other cultural significance. Physical cultural resources may be located in urban or rural settings, and may be above ground, underground, or underwater. Their cultural interest may be at the local, provincial or national level, or within the international community.	This policy applies to all projects requiring a Category A or B Environmental Assessment under OP 4.01, projects located in, or in the vicinity of, recognized cultural heritage sites, and projects designed to support the management or conservation of physical cultural resources. Under FIP, sub-projects that would have negative impacts on physical cultural resources would not be funded.
Natural Habitats (OP/BP 4.04)	The conservation of natural habitats is essential to safeguard their unique biodiversity and to maintain environmental services and products for human society and for long-term sustainable development. Therefore, support covers the protection, management, and restoration of natural habitats. This kind of support expects the Borrowers to apply a precautionary approach to natural resource management to ensure opportunities for environmentally sustainable development.	The policy is triggered by any project (including any sub-project under a sector investment or financial intermediary loan) with the potential to cause significant conversion (loss) or degradation of natural habitats, whether directly (through construction) or indirectly (through human activities induced by the project). Under FIP, sub-projects that would have negative impacts on natural habitats would not be funded.

Projects in Disputed Areas (OP/BP 7.60)	To ensure that projects in disputed areas are dealt with at the earliest possible stage: (a) so as not to affect relations between the Bank and its member countries; (b) so as not to affect relations between the Borrower and neighboring countries; (c) so as not to prejudice the position of either the Bank or the countries concerned.	The policy is triggered if the proposed project will be in a "disputed area." Although Tanzania is a peaceful country, FIP will not fund any subprojects located in potentially disputed areas.
Projects on International Waterways (OP 7.50)	To ensure that Bank-financed projects affecting international waterways would not affect: (i) relations between the Bank and its Borrowers and between states (whether members of the Bank or not), and (ii) the efficient utilization and protection of international waterways. This policy covers the following types of international waterways: (a). Any river, canal, lake or similar body of water that forms a boundary between, or any river or body of surface water that flows through, two or more states, whether Bank members or not; (b). Any tributary or other body of surface water that is a component of any waterway described under (a); and (c) Any bay, gulf strait, or channel bounded by two or more states, or if within one state recognized as a necessary channel of communication between the open sea and other states, and any river flowing into such waters	This policy applies to the following types of projects: (a). Hydroelectric, irrigation, flood control, navigation, drainage, water and sewerage, industrial and similar projects that involve the use or potential pollution of international waterways; and (b). Detailed design and engineering studies of projects under (a) above, including those to be carried out by the Bank as executing agency or in any other capacity. FIP will not fund any subproject that will have an impact on international waterways.

Annex II: Environmental and Social Screening Form

Introduction

This Environmental and Social Screening Form (ESSF) has been designed to assist in the evaluation of sub-projects financed through a LOC under the FIP. The form will assist to identify environmental and social impacts and their mitigation measures, if any. It will also assist in the determination of requirements for further environmental work (such as EIA), and social work if necessary.

The form helps to determine the characteristics of the prevailing local biophysical and social environment with the aim of assessing the potential impacts of the project activities on the environment. The ESSF will also assist in identifying potential socio-economic impacts that will require mitigation measures.

GUIDELINES FOR SCREENING

The evaluator should undertake the assignment after:

- Gaining adequate knowledge of baseline information of the area;
- Gaining knowledge of proposed project activities for the area;
- Having been briefed/trained in environmental and social screening;
- Is aware of the exclusion list of projects which will not be financed apart from Category A projects and those which might affect vulnerable groups. The exclusion list is included in this screening form for reference.

Exclusion List of Activities

1. Any activities involving conversion of natural habitats/ecologically sensitive areas and/or damaging to national monuments, non-replicable cultural properties;
2. Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements;
3. Production or trade in weapons or munitions;
4. Gambling, casinos and equivalent enterprises;
5. Trade in wildlife or wildlife products regulated under Convention on International Trade in Endangered Species (CITES);
6. Production or trade in radioactive materials (this does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where the Bank considers the radioactive source to be trivial and/or adequately shielded);
7. Production or trade in or use of unbounded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20 percent;
8. Drift net fishing in the marine environment using nets in excess of 2.5 km in length.;
9. Purchase of logging equipment for use in cutting forest;
10. Production or trade in wood or other forestry products other than from sustainably managed forests;
11. Production or trade in pharmaceuticals subject to international phase outs or bans;
12. Production or trade in pesticides/herbicides subject to international phase outs or bans;
13. Fishing in the marine environment using electric shocks and explosive materials;
14. Production or activities involving harmful or exploitative forms of forced labor harmful child labor;

15. Commercial logging operations for use in primary tropical moist forest;
16. Production or trade in products containing Polychlorinated biphenyls (PCBs);
17. Production or trade in ozone depleting substances subject to international phase out;
18. Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals (includes gasoline, kerosene, and other petroleum products). Production or storage or packaging of inflammable material;
19. Production or trade or use or storage of dyeing chemicals and dye intermediaries;
20. Any activities requiring industrial production processes requiring regulatory clearances from Pollution Control Boards; and
21. Any activities that could affect disadvantaged communities located in land and territories traditionally owned, or customarily used or occupied by such communities.

The form is to be completed with the consensus of at least three people, knowledgeable of the screening processes (such as the Environmental Management Officers)
Name of project: ………………..…………………………….………………….....… Name of Institution: ……………………......……………....…………………………...

Contact details of the person who is responsible for filling out this form
Name: ……………………………………………..………………………….............
Title; ………………………………………….…………………………..………......

Telephone Number: ……………………………..……………………………..…......
Fax number: ……………………………….………………………………..............
E-Mail address: …………………..……………………...……………………………..... Date: ……………………...............……………………………...…………….............
Signature: ……………………………………………......……………………………

1. Sub-Project Description
Please provide information on the type and scale of the project (project area, area of construction (buildings, access roads, landscape), waste generated (solid, liquid and air).

2. The Natural Environment
a) Describe the vegetation/trees in/adjacent to the sub-project area.
…………………………………………………………………………………………
…………………………………………………………………………………………
b) Estimate and indicate where vegetation/trees might need to be cleared
…………………………………………………………………………………………
…………………………………………………………………………………………
c) Are there any environmentally sensitive areas or threatened species (specify below) that could be adversely affected by the project?
Yes ………… …....No …………….
i. Natural Forests Yes ………. No …………… ii.
National Parks Yes ………. No …………… iii.
Rivers Yes ……….......... No …………… iv. Lakes
Yes ………. No ……………
v. Wetlands (swamps, seasonally inundated areas)

Yes …………….........No ………………

vi. Habitats of endangered species for which protection is required under Tanzania laws and/or international agreements

Yes ………………. No ……………….

vii. Others (describe). Yes ………….. No ………………

3. River Ecology

Is there a possibility that, due to the installation of structures, such as houses and water system, the river ecology will be adversely affected? Attention should be paid to water quality and quantity, the nature, productivity and use of aquatic habitats and variations of these over time.

Yes……………………………………………No……………………………………

4. Protected Areas

Does the sub-project area (or components of the sub-project) occur within/adjacent to any protected areas designated by government (national park, natural reserve, world heritage site etc.)?

Yes……………………………………………No……………………………………

If the sub-project is outside, but close to, any protected area, is it likely to adversely affect the ecology within the protected areas (e.g. interference with the migration routes of mammals or birds)?

Yes……………………………………………No……………………………………

5. Geology and Soils

Based upon visual inspection or available literature, are there areas of possible geologic or soil instability (erosion prone, landslide prone, subsidence prone)?

Yes……………………………………………No……………………………………

Based on visual inspection or available literature, are there areas that are at risk of a large-scale increase in soil leaching and/or erosion?

Yes……………………………………………No……………………………………

6. Landscape/aesthetics

Is there a possibility that the sub-project will adversely affect the aesthetic attractiveness of the local landscape?

Yes……………………………………………No……………………………………

7. Invasive Plant species along feeder roads routes

Is the sub project likely to result in the spread of invasive plant species (along feeder roads)?

Yes……………………………………………No……………………………………

8. Historical, Archaeological or cultural heritage sites

Based on and local knowledge available source, and after consultation with local authorities and/or observations, could the sub-project alter any historical, archaeological or cultural heritage sites or require excavation near these sites?

Yes……………………………………………No……………………………………

9. Resettlement and/or Land Acquisition

Will involuntary resettlement, land acquisition, or loss of access to land as defined by World Bank OP 4.12 be caused by sub-project implementation?

Yes……………………………………………No……………………………………

10. Loss of Crops, Fruit trees and Household Infrastructure

Will the sub-project result in the permanent or temporary loss of crops, fruit trees and household infrastructure?

Yes……………………………………………No……………………………………

11. Noise pollution during construction and Operations

Will the operating noise level exceed the allowable decibel level for the zone?

Yes……………………………………………No……………………………………

13. Public Consultation Process

Briefly describe the sub project consultation process in terms of when consultations took place, where they took place, who participated and what criteria were used to select participants in this process, what were the contributions from the participants, was it recorded and were the contributions from participants included in decision making, (use separate sheet if necessary).

……………………………………………………………………………………………………
…………………………………………………………………………………………………

14. Did the consultation and participatory process described in 13 above involve the following social/ vulnerable groups?

Women: Yes…………………......………….No……………….…………………… The elderly: Yes…………………..…………No…………………......…………..
Widows/widowers: yes………………………No…………..……………….
Orphans: Yes……………………………….No…………………………….

15. Will the groups (in 14 above) have access to and benefit from this sub-project?

Yes……………………………………………No……………………………………......

16. Based on the results of the above screening what category does the project fall (a) Category B (b) Category C

17. Has this project undergone ESIA before? If yes was the certificate obtained?

Annex III: Resettlement Screening Form

№	The possible impact factor	Availability (yes/no)
1	Do structures of the substation fall under the project for private land?	
2	Is there a necessity for physical or economic resettlement of residents or displacement of business entities?	
3	Are the social impacts potentially significant?	
4	Is there a necessity for assessment of an institutional level resources required for protection measures?	
5	Are there assets of third parties on the project site?	
6	Are there any buildings owned by private individuals or commercial entities? If yes, specify the type of buildings and their number.	
7	Does the construction lead to temporary or permanent restriction of access to different objects, including houses, hiking and driveways, commercial structures?	
8	Will be there any temporary or permanent land acquisition for the construction in realization of the project?	
9	Will construction lead to changes in social environment or reduction in income of business entities and the population?	
10	Will implementation of planned construction have an impact on health of the population or cause damage to anybody?	
11	Will the subproject give rise to protests and concerns of the residents?	
12	Will be there any adverse impact on living conditions of the population, its values and lifestyle?	
13	Will the subproject lead to inequality among the groups of the population?	
14	Is the level of public interest to the subproject high?	
15	Are there any hidden potential impacts and risks expected?	
16	Are there any records of previous impact on involuntary resettlement in the given area, which require corrective actions for previous unmitigated resettlement?	

Annex IV: Procedures for undertaking ESIAs

In cases where the environmental and social screening process would recommend that an EIA be carried out, the implementers should refer to Tanzania's EIA procedure, keeping in mind the requirements of the World Bank's safeguard policies. The main steps in carrying out EIA are outlined below:

Carrying out an Environmental Impact Assessment

- **Impact Assessment:** Based on the screening and scoping results, the EIA shall identify and assess positive and negative impacts likely to result from the proposed sub-project activities. This uses a variety of methods, including checklists, impact matrices, overlays and network analysis. Opportunities for environmental enhancement should be explored. The extent and quality of available data, key gaps in data, and uncertainties associated with predictions shall be identified or estimated.
- **Analysis of alternatives:** This is an important aspect of the EIA - enhancing the design of a project through consideration of alternatives, as opposed to the more defensive task of reducing the adverse impacts of a given design. This provides a detailed review of alternative approaches and prioritizes them into a feasible approach. For each alternative, the environmental costs and benefits should be quantified to the extent possible. The 'no project alternative' should always be included, with a discussion of it being adopted - that is, what would the future look like without the proposed sub-project? The 'no project alternative' is always feasible and gives a " base case" against which the performance of other alternatives can be compared in terms of environmental, social and economic impacts.
- **Predictions:** The principal function of EIA is to provide predictive information on the potential implications of the planned sub-projects. Prediction should determine the cause and effect relationship of direct and indirect impacts based on data and information from a wide number of sources on the physical, social, biological, institutional, economic and cultural issues. The quality and availability of data and the analytical techniques and assumptions frequently limit the reliability of prediction. In this context, open dialogue with key stakeholders and the public is vital.
- **Evaluation of significance:** This determines the significance of the impacts at the different phases of the sub-project and its area of influence. Within a specified time and space, a significant impact is the predicted or measured change in an environmental attribute that should be considered in sub-project design, depending on the reliability and accuracy of the prediction and the magnitude of the change.
- **Mitigation:** This identifies measures to be taken to avoid and/or to reduce adverse impacts. It also assesses how to plan and manage environmental enhancement. The identified measures need to be undertaken early enough to embed ideas thoroughly into the basic design of a proposed sub-project and to show how future monitoring and evaluation would be carried out. These measures are drawn together into a coherent Environmental and Social Management Plan (ESMP), including a monitoring plan.
- **Public consultation:** Consultation throughout EIA preparation is required, particularly for sub-projects that might involve land acquisition and thus negatively affecting people's livelihoods. Public consultation should be undertaken during screening, scoping and the

preparation of terms of reference, of the EIA report, review of the EIA report by NEMC and other stakeholders.

All the information gathered during the Environmental Impact Assessment is compiled in the format given in NEMC Reporting Procedure and Guidelines and submitted to NEMC for review and clearance. In all cases, the documentation should be kept as brief and simple as possible.

The EIA regulation under regulation 18.-(1) requires that the developer or proponent shall submit to NEMC, an environmental impact statement incorporating but not limited to the following information-

(a) The project and the activities that it is likely to generate;
(b) The proposed location of the project and reasons for rejecting alternative locations;
(c) A concise description of the national environmental legislative and regulatory framework, baseline information, and any other relevant information related to the project;
(d) The objectives of the project;
(e) The technology, procedures and processes to be used, in the implementation of the project;
(f) The materials to be used in the construction and implementation of the project;
(g) The products, by products and waste generated by the project;
(h) A description of the potentially affected environment including specific information necessary for identifying and assessing the environmental effects of the project;
(i) The environmental effects of the project including the social and cultural effects and the direct, indirect, cumulative, irreversible, short term and long term effects anticipated;
(j) Alternative technologies and processes available and reasons for preferring the chosen technology and processes;
(k) Analysis of alternatives including project site, design and technologies and reasons for preferring the proposed site, design and technologies;
(l) An environmental management plan proposing the measures for eliminating, minimizing or mitigating adverse impacts on the environment; including the cost, timeframe and responsibility to implement the measures;
(m) Provision of an action plan for the prevention and management of foreseeable accidents and hazardous activities in the cause of carrying out activities or major industrial and other development projects;
(n) The measures to prevent health hazards and to ensure security in the working environment for the employees and for management of emergencies;
(o) An identification of gaps in knowledge and uncertainties which were encountered in compiling the information;
(p) An economic and social analysis of the project; (q) Positive impacts and how to enhance them; and (r) Such matters as the Council may require.

Moreover, under section (2) it requires that, without prejudice to the generality of subregulation (1), the environmental impact statement shall closely be styled and contain the following information:

(a) Format of the environmental impact statement:
   (i) Executive summary;
   (ii) Acknowledgement;
   (iii) Acronyms;
   (iv) Introduction;
   (v) Project background and description;
   (vi) Policy, administrative and legal framework;
   (vii) Baseline or existing conditions;
   (viii) Assessment of impacts and identification of alternatives;
   (ix) Impacts management or environmental mitigation measures;
   (x) Environmental and social management plan;
   (xi) Environmental and social monitoring plan;
   (xii) Resource evaluation or cost benefit analysis;
   (xiii) Decommissioning;
   (xiv) Summary and conclusions
   (xv) References;
   (xvi) Appendices;

The ESIA report should be short and clear, so that project participants can understand it. It should state clearly the main environmental issues, both positive and negative, likely impacts, potentially affected persons, mitigation and monitoring measures, and cost estimates and institutional arrangements for the implementation of mitigation and monitoring measures.

The ESIA report should include an Environmental and Social Management Plan (ESMP). This ESMP should be a practical, action-oriented plan specifying measures to be taken to address the negative environmental impacts. It should also specify the actions, resources and responsibilities required to implement the agreed actions and details on key social and environmental management, monitoring, and monitoring indicators. Further, the ESMP should ensure that the costs of implementing the recommendations of the EIA report are budgeted into the total infrastructure project costs. Responsibility for the preparation of the ESMP will be with the Sector Environment Coordinators, under the guidance of the District/Municipal Environmental Officer and, to the extent necessary, in consultation with NEMC.

The ESMP should be formulated in such a way that it is easy to use. The ESMP should cover the following aspects: Summary of environmental and social impacts, description of the mitigation measures, description of the mitigation measures, description of the impacts of the mitigation measures, description of the monitoring plan and monitoring indicators, institutional arrangements and capacity building needs to ensure effective implementation of these measures, implementation schedule and reporting procedures and cost estimates. NEMC/Environmental Officer will assist with the details required for the preparation of the ESMP.

Annex V: ToR for Environmental Expert

OBJECTIVE OF THE CONSULTANCY

The objective of the consultancy will be to ensure that all E&S issues within the project are well supported and that the PIU is well equipped with the necessary trainings, capacity to implement the Financial Inclusion Project. The Consultant will also ensure that the PIU implement the project in accordance to the country's and World Banks's E&S policies and laws. The Consult will in general assist the PIU and where necessary other related stakeholders manage and monitor risks and impacts of subprojects as well as manage overall portfolio risk in a responsible manner.

SCOPE OF WORK

Since the Consultant is expected to support PIU in implementing E&S aspects of the project, he/she will cover the following scope,

I. Assist the PIU and other stakeholders where necessary to ensure that E&S issues are well taken care of during project implementation, this will include preparation of PFIs portfolio briefs covering their activities and the potential environmental impacts using relevant screening criteria and forms and advice on what should be done to the PIU.

II. Screen potential environmental and social risks/impacts related to activities as proposed in the FIP project, and recommend feasible measures to maximize environmental and social benefits of project activities, as well as, develop measures to avoid, minimize and mitigate any adverse impacts.

III. Conduct trainings, awareness campaign and attend various project meetings to discuss about the importance of E&S issues in implementing the projects. The Consultant should always e given an opportunity to attend and few minutes to say something in all meetings for the purpose of awareness raising and build capacity to PIU and other stakeholders.

IV. Prepare training materials for all levels of trainings for PIUs, MOFP, BoT and PFIs. Training materials will cover areas based on the target group. For example training intended for PIU will be more detailed and analytical than training targeted for PFIs or sub projects implementers. The Consultant will continue to update the training materials as will deem necessary based on the progress of the project and various changes which will be happening.

V. Put forward criteria based on the existing ones that will be used to exclude loan applications that may potentially result in economic or physical resettlement. As stated earlier, Category A projects according to WB Safeguard policies and those projects which will affect vulnerable groups will not be implemented.

VI. Establish a clear understanding of the institutional requirements, roles and responsibilities for adopting and implementing the ESMF. This should be based on the institutional implementation arrangement of the FIP and should focus on the high-level institutions (those expected to be part of the implementation unit and project technical committee). Some of the institutions under the FIP implementation arrangement are similar to those under the HFP arrangement. Therefore, the Consultant should build on the assessment done under the HFP and include any additional capacity needs in relation to existing institutions and capacity needs of new institutions.

VII. In collaboration with and under facilitation of PIU and BoT carry out a consultation workshops with key stakeholders, both current and potential beneficiaries of FIP.

VIII. Identify and describe the required instruments and procedures for managing and monitoring environmental risks and social concerns related to projects, such as environmental and social assessments, management plans (e.g. ESMP) and respective monitoring instruments.

IX. Review existing grievance mechanisms and in close consultation with the implementing agency, propose ways to enhance operation of such mechanisms.

X. Develop feasible and cost-effective mitigation and monitoring measures to prevent or reduce to acceptable levels potential adverse impacts and to enhance project benefits.

QUALIFICATION OF THE CONSULTANT

Minimum qualification for the Consultant should be:

Possesses at least a first degree in environmental sciences, natural resources management, geography and environmental studies, environmental engineering or a degree in a relevant discipline or its equivalent from a recognized university or institution, Masters degree or higher will be an added advantage

- Has not been convicted of a professional or disciplinary offence
- Has relevant experience of not less than 7 years in undertaking ESIAs, preparing ESMFs, ESMPs and other environmental documents.
- Has been registered and recognized by the National Environment Management Council (NEMC)
- Has worked in WB and/or other international organizations funding projects and understand their E&S policies.
- Has a good track record of delivering quality pieces of works, this will be verified by looking at the Consultant’s previous reports. He/she should have good communication skills
- Has a basic knowledge of financial sector in the country, projects financed by financial institutions and their possible E&S impacts.
- Understand country and WB’s E&S laws and policies and their requirement

DELIVERABLES AND REPORTING

The Consultant will be expected to produce inception report, draft report and final report in each assignment that will be given.

The Consultant will report to the Head of PIU but will work closely with all members of the PIU, PFIs, MOFP, the WB and other relevant stakeholders.

The Consultant will review documents and reports whenever asked to do that to ensure that the documents produced are of high quality

REMUNERATION

The Consultant will be paid based on the negotiation but should not exceed 500USD per day.

The final payment to the Consultant will be agreed by PIU and the WB.

Annex VI: Environmental checklist

No.	Potential negative E&S impacts	Tick if relevant	Mitigation measures	Tick if relevant	Responsible person
1	Possible damage to natural habitats/sensitive or protected area; damage/loss of important biodiversity		Carry out ESIA (Annex V) Landslides and		
2	Landslides and soil erosion on hillsides		Terracing; excavation to level; control of water flows		
3	Water stagnation and flooding on depressed/flat land		Proper placement of the building within a site, taking into consideration the topography and terrain to allow natural water flows.		
4	Destruction of vegetation during excavation; may cause loss of biodiversity, flora and fauna .		Construction contracts to include provisions for limiting vegetative removal and for restoration/landscaping and revegetation of the construction area after completion of works		
5	Soil erosion, deposition of fine materials (sand, silts, cement dust) in downstream water courses during demolition and construction, particularly in the rainy season		Construction contracts will require re-vegetate as soon as possible; contractors to be limited regarding activities that can be carried out in the rainy season; contractors will be required to treat excavated areas below flood water levels as required under the design contract (use of stone gabions, before the start of each rainy season. Controlled storage of demolished materials and products (on stabilized area) and rehabilitation of sites after use		
6	Noise disturbance		Keep noise at minimum levels. Must meet regulatory requirements.		
7	Nuisance on public health due to unsafe disposal of wastes		Dispose safely in sealed plastic containers for burial in municipal landfills		
8	Dust impacts		In extreme cases, particularly near clinics, schools, contractors will be required to moisten the		

			construction area to minimize dust		
9	Creation of stagnant pools of water in left borrow pits		Rehabilitation of borrow pits sites		
10	Soil and water pollution due to large number of laborers on the construction site and related wastes		Build latrines and ensure adequate waste water disposal; ensure safe storage of construction materials such as oils, paints		
11	Contamination of water supply sources (well, borehole) by seepage from pit latrines		Do not construct latrines within a minimum of 30m of the hand dug well, borehole and springs, 60m is preferable		
12	Open defecation		Conduct hygiene education campaign to raise awareness of the health risks of open defecation, and promote the use of latrines		
13	High running cost for energy needs		Energy savings measures: use of low energy consuming fluorescent, proper use of daylight, proper ventilation, provide and maintain stand-by generators		

Annex VII: List of stakeholders consulted on May 3, 2018 in Dar Es Salaam

#	Name	Organization	Email	Phone Number
1	Richard Ngate	Vicoba FETA	vicobaft@gmail.com	+255754589776
2	Malosha Zephania	Vicoba FETA	ngosell@gmail.com	+255762034290
3	Faustin Mananga	Self-Microfinance	manangaf@yahoo.com	+255712447686
4	Victor Nyaki	Access Bank	Victor.nyako@accessbank.co.tz	+255714051829
5	Nasra Hussein	TBS	Nasra.yusuf@tbs.go.tz	+255754476290
6	Winnie Terry	TAMFI	wterry@tamfi.co.tz	+255752251188
7	Dionisia Mjema	MOFP	dmjema@mof.go.tz	+255784688406
8	Tatu Mikidadi	MOFP	Tatu.mikidadi@acgen.go.tz	+255713429955
9	Flora Kajela	NEEC	Flora.kajela@uwezeshaji.go.tz	+255754760588
10	Mathew Aloyce	CRDB Bank	Mathew.aloyce@crdbbank.com	+255767329016
11	Felician GIrambo	Akiba Bank	Felician.girambo@acbtz.com	+255767835643
12	Elisante Marir	TPB Bank	Elisante.marir@yahoo.com	+255787353873
13	Abuu Msati	MOFP	amsati@mof.go.tz	+255716835472
14	Damas Mugashe	BOT	ddmugashe@bot.go.tz	+255784574466
15	Deusdedith Mulindwa	BRAC	Deusdedith.mulindwa@brac.net	+255684449365
16	Albert Mkenda	BOT	avmkenda@bot.go.tz	+255766083393
17	Shamsia Manu	Foundation for Civil Society	smanu@thefoundation-tz.org	+255713766938
18	Euster Kibona	Foundation for Energy, Climate and Environment	Euster79@gmail.com	+255654577475
19	Nolasco Charles	FINCA	Nolasco.charles@fincatz.org	+255768790202
20	Ramadhan Mganga	TPB Bank	Ramadhan.mganga@tpbbank.co.tz	+255715212109
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Annex VIII: Views of consulted stakeholders on May 3, 2018 in Dar Es Salaam

#	Name	Organization	Comments
1	Richard Ngate	VICOBA FETA	• Apart from lack of collateral for most MSMEs the project should find a way to ensure that loans are easily accessible and distance does not hinder its implementation. This is because BoT has provision for the distance between one bank to the other, which is not the case for MSMEs in rural areas. • BoT should put in place simplified conditions/or scheme to enable large number of MSMEs to access loans. Without special assistance these MSMEs will not have access to loans • One of the problems we face when people come to borrow money from VICOBAs is that they present a different business case from the one they will implement. Therefore, a customer may borrow for building a house, but when they receive the loan they start selling charcoal (which is illegal).
2	Malosha Zephania		
3	Faustin Mananga	Self-Microfinance	• For the sustainability of this project preference should be given to a certain cluster of MSMEs, e.g. VETA graduates, young engineers, at least a cluster of people with knowledge to start with and other MSMEs will learn slowly.
4	Victor Nyaki	Access Bank	• Local banks prefer to finance stable businesses with strong collaterals and regular cash flow which most MSMEs do not have, it is important that there is a way to assist more MSMEs to have access to these funds with low interest.
5	Nasra Hussein	Tanzania Bureau of Standards (TBS)	• Banks giving loans need to follow up with borrowers to ensure that all implemented projects are environmentally friendly. This can also be done through conducting trainings, awareness campaigns, inspection of projects using a checklist. • People with small projects should be encouraged to proceed but awareness is still important incase these people expand and their projects become harmful to the environment • There are standards which the banks can use to scrutinize borrowers on E&S compliance such as Environmental performance evaluation guide (EPE) TZS 1118/ISO 14031 as well as standard on environmental assessment of sites and organizations (EASO/TZS 1117/iso 14015) • The banks should go further to start educating its borrowers on the importance of standards and their compliance because apart from the fact that they protect the environment the same also assist in ensuring that projects goals are achieved and borrowers are able to repay the loan.
6	Winnie Terry	TAMFI	• BoT should give guidelines to the banks on how they can

			serve MSMEs because otherwise most of them will remain as observers due to lack of collaterals
7	Dionisia Mjema	Ministry of Finance and Planning (MoFP).	• We have to be customer centric when we think of this project. And maybe even become patriotic, in that we have to focus on how we can help fellow Tanzanians get out of poverty. Some of us have been privileged to go to school. And our relatives in the rural areas depend on us to send them money. It's time we thought of how we can also help them out of poverty. Tanzania is blessed with a number of resources. Yet you entrepreneurs struggle to do business because they do not have access to credit. MSME credit to GDP is the lowest in East Africa. Independence ratio is 1 to 9 and we need to lower it. We need to look at this from a customer's point of view
8	Tatu Mikidadi	Ministry of Finance and Planning (MoFP).	• The project is geared to assist MSMEs, let it roll out and have the banks ready with the positive minds
9	Flora Kajela	NEEC	• There should be a performance indicator that will require FIs to monitor what MSMEs are doing with regard to E&S issues • Project should strengthen capacity of FIs to be innovative enough so that they come up with products that will cater for various MSMEs needs. • There are some institutions that received low interest funding but did not disclose this and ended up lending money at a high rate. We need to make sure that we do this collaboratively to make sure that we have a shared goal. Making sure that banks do not just focus on collecting the loan payment but making sure the loan a customer takes will have a positive impact on their lives
10	Mathew Aloyce	CRDB Bank	• Have an environmental section dealing with all environmental and social issues • The bank is currently in the process to be certified for Environmental Management System (EMS), ISO 14001 • Projects are scrutinized for E&S if needs be, some are informed to bring ESIA certificate in accordance to country's environmental management Act. • All documents required for the loan to be issued are validated • Before a loan is issued all legal issues should be fulfilled.
11	Felician Girambo	Akiba Commercial Bank	• BoT should revisit regulations used by banks to offer loans to MSMEs for smooth implementation of this project, more should be done to create friendly environment for MSMEs to have access to loans.
12	Elisante Marir	Tanzania Postal Bank	• -Government should establish one-stop-center where borrowers can have access to all kind of information including information about different regulatory bodies such as NEMC, TBS, TFDS and BRELA so that they do not hamper the ability of MSMEs to borrow and

			implement the projects.
13	Abuu Msati	Ministry of Finance and Planning (MoFP)	• The government is doing everything possible to ensure that policies are friendly for the implementation of the project. This meeting should be used to collect comments on how the government should improve the environment for implanting this project.
14	Damas Mugashe	Bank of Tanzania (BoT)	• Project implementation should abide to the country's and World Bank's E&S regulations but should not hinder project implementation. Formal collaterals fetch more loans and vice versa. That in a way encourages people to formalize their collateral if at all they need more loans.
15	Deusdedith Mulindwa	BRAC	• BRAC give special loans to women, and for all people in a society based on the existing screening criteria which ensures that large number of people in a society have access to loans.
16	Albert Mkenda	Bank of Tanzania (BoT)	• The money that the government will borrow from the WB will not be restricted in terms of how banks conduct their usual operations. The aim of these funds is to reduce the cost of funds for banks. So that eventually the average cost of funds will be lowered and reach the intended recipients. We have similar project such as HFP, and in this project the WB does not interfere with the way banks conduct their 1operations. The market determines the price. While banks have to make sure they comply to the rules set out by BOT and WB, how do we make sure that the customers receiving the loans also do the same? Sometimes the KYC requirements from the regulator become blocks. Sometimes when customers come without collaterals banks want to help them, but our hands are tied because the regulator requires us to secure collateral. Enabling environment for accessing funds is also a problem.
17	Shamsia Manu	Foundation for Civil Society	• Although the main beneficiary for the project are women and youth loan accessibility to these groups remains a challenge • Women will need special mechanism to mentor them on how they can access and benefit with the said loans. This can easily be done by loan officers • In terms of offering assistance to entrepreneurs, SIDO is the main counterpart for training, TBS sets the standards to be adhered to and NEMC does the enforcement of regulations and laws.
18	Euster Kibona	Foundation for Energy, Climate and Environment	• Challenges with the grass root community should be addressed; small farmers should also be included as beneficiaries although the issue of collateral might be a challenge to them. This project should think of a way to assist small farmers.
19	Nolasco Charles	FINCA	• The idea is good, financial inclusion is crucial for our economy, FINCA will be eagerly waiting to see its launch • E&S issues should be emphasized for compliance but should not hinder project implementation.

20	Ramadhan Mganga	Tanzania Postal Bank	• Insurance is charged in some of the project to ensure compliance. • MSMEs which have access to loans range from wholesalers, processors, people selling charcoal and farmers.
21	Ramadhan Ahuga	TIMAP	• Provide funds to the bank with high outreach to rural areas • Provide technology-based support system like ATMs or point of sales to enable large population to participate in the project • Guidelines should be put in place as a mechanism to protect consumers