

**INTEGRATED SAFEGUARDS DATASHEET  
APPRAISAL STAGE**

**I. Basic Information**

Date prepared/updated: 06/15/2011

Report No.: AC6283

**1. Basic Project Data**

Country: Middle East and North Africa	Project ID: P124341
Project Name: MNA Micro, Small and Medium Enterprise Financing Facility	
Task Team Leader: Douglas Pearce	
Estimated Appraisal Date: May 27, 2011	Estimated Board Date: July 14, 2011
Managing Unit: MNSSED	Lending Instrument: Adaptable Program Loan
Sector: Micro- and SME finance (100%)	
Theme: Small and medium enterprise support (80%); Other financial and private sector development (20%)	
IBRD Amount (US\$m.):	100.00
IDA Amount (US\$m.):	0.00
GEF Amount (US\$m.):	0.00
PCF Amount (US\$m.):	0.00
Other financing amounts by source:	
<u>Borrower</u>	0.00
	0.00
Environmental Category: F - Financial Intermediary Assessment	
Repeater <input type="checkbox"/>	
Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>

**2. Project Objectives**

The objective of the MSME Facility is to catalyze financing, risk-sharing and technical assistance to address policy, legal, institutional, capacity, and informational constraints holding back MSME access to finance in the MENA region, and thereby to support improvements in MSME employment, competitiveness, and incomes. As the IBRD financing mechanism for the MSME Facility, the objective of the regional Adaptable Program Loan (APL) is to improve access to finance for micro, small and medium enterprises in the MENA region. The first country loan within this APL structure is proposed for Tunisia, in order to improve access to finance for MSMEs in Tunisia, including through enabling previously creditworthy MSMEs to maintain access to credit in the transitional period ahead.

**3. Project Description**

The MSME Facility will include:

# The APL as an IBRD regional financing mechanism, that provides a structure for rolling out country level financial intermediary loans. Country level loans under the APL structure can include a line of credit component and a contingent credit (risk sharing)

component, so that the most appropriate instrument can be applied in each market to stimulate MSME Finance. The proposed Tunisia #APL 1# loan is the first loan under the APL structure, with other APL loans anticipated in Tunisia and other MENA countries. Discussions have been initiated with Jordan, Lebanon, Egypt and Morocco with regard to potential borrowing under this APL.

# The IFC#s proposed SME Facility for MENA, which is being presented to the Board concurrently with the IBRD APL.

# Technical Assistance for MSME Finance, coordinated by a joint regional approach with the IFC, for i) policy and legal reforms, ii) capacity-building and advisory services to financial institutions, and iii) support to MSMEs. A technical assistance (TA) package of at least \$20 million over 5 years is envisaged, dependent on donor funding being available or borrowing countries agreeing to include a technical assistance component in their APL loans.

# Support to innovative and high potential SMEs: through partnerships with providers of business services, risk capital for high potential growth enterprises and start-ups, and sources of mentoring, business networking, and business expertise.

Policy Lending to improve the enabling environment for MSME Finance complements the MSME Facility, through Development Policy Loans (DPLs) and the associated Policy Matrix measures agreed with Governments. The resulting policy and legal reforms will strengthen the impact of the financing provided by the APL, by enabling financial institutions to offer financial services to smaller and under-served MSMEs, including women-headed MSMEs. Development Policy Loans are under preparation in Morocco, Jordan and Tunisia that include measures that improve the policy, legal and sector context for MSME Finance.

For Tunisia, the APL 1 loan will provide liquidity, in the form of a line of credit, in response to the immediate priority of maintaining and expanding access for MSMEs to financing. The loan will finance new lending to MSMEs, and also, with strict criteria, rescheduling of loans to otherwise creditworthy MSMEs that are currently affected by the economic impacts of the political upheaval in Tunisia earlier this year and the Libya conflict.

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

The first country loan under the MSME Facility regional APL structure will be located in Tunisia. Other IBRD borrowing countries in MENA are also eligible to receive country loans under this APL, including potentially Morocco, Jordan, Egypt and Lebanon. For each country loan, the loan will be passed on to an implementing agency (the Central bank in the case of Tunisia) and potentially also to a Partial Credit Guarantee fund or a regional fund to be created by the IFC or KfW, to be provided as lines of credit or guarantees to eligible participating financing institutions for lending to Micro, Small and

Medium Enterprises. These MSMEs could be located throughout Tunisia (and any other borrowing countries) and will utilize the funds towards MSME sub-projects.

## 5. Environmental and Social Safeguards Specialists

Mr Colin S. Scott (MNSSO)

Mr Nicolas Kotschoubey (MNSED)

6. Safeguard Policies Triggered	Yes	No
Environmental Assessment (OP/BP 4.01)	X	
Natural Habitats (OP/BP 4.04)		X
Forests (OP/BP 4.36)		X
Pest Management (OP 4.09)		X
Physical Cultural Resources (OP/BP 4.11)		X
Indigenous Peoples (OP/BP 4.10)		X
Involuntary Resettlement (OP/BP 4.12)		X
Safety of Dams (OP/BP 4.37)		X
Projects on International Waterways (OP/BP 7.50)		X
Projects in Disputed Areas (OP/BP 7.60)		X

## II. Key Safeguard Policy Issues and Their Management

### A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts: The project would provide loans up to 1.5 million Tunisia Dinars (US\$ 1,095,000) to micro, small and medium enterprises (MSMEs) in Tunisia. Micro enterprises would be excluded in this first tranche in Tunisia owing to creditworthiness reasons. The type of project or sector would not be restricted, however the size of the loan would be the major factor restricting the potential impact. Similarly, loans to existing MSMEs would be expected to have limited impacts if they are used to replace, or modernize, existing equipment. Improvements in equipment may even result in reduced environmental impacts through reduced air or water pollution.

Potential negative impacts may however include loans to MSMEs in the following sectors: construction; food processing (including olive oil); chemicals (paint, agricultural chemicals); textiles; and others.

Loans to small businesses for the acquisition of vehicles (mostly through leasing), which represents a significant portion of MSMEs, are not expected to have significant impacts other than normal vehicular emissions.

Also to satisfy AfDB Safeguards requirements, which is providing parallel financing for the Tunisia loan, the project will also pay special attention to labor issues (safety, working conditions, etc).

To streamline the project, numerous sub projects would be excluded: any Category A subprojects; any sub projects causing involuntary resettlement, involved with large dams, in international waterways, in disputed territories, and affecting natural habitats. As a fail-safe, the screening of sub-projects referred to in paragraph 4 (below) could identify any negative social impacts and mitigating action to be taken as a result.

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

Indirect impacts are expected to include cumulative impacts of multiple small activities that individually would be negligible.

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

No #alternatives# to the proposed project exist as future activities (loans to MSMEs) are not yet known, however restrictions exist on project scale.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described. National capacity to plan and implement environmental measures is relatively high in Tunisia; the national environmental protection agency (ANPE) is effective and procedures are in place and understood by the financial industry and by small businesses. FIs are used to obtaining non-objection from the ANPE before financing any activities with significant impacts.

The borrower (Tunisia), in conjunction with the Bank for regional aspects, which are beyond the borrower's scope, has prepared an Environmental and Social Management System (ESMS) to serve as a screening and mitigation mechanism for significant impacts. The ESMS would be used by Participating Financial Institutions (PFIs) working with MSMEs to classify activities financed under the Facility as having high, low or negligible impacts. Depending on the category (B or C), MSMEs would implement the appropriate socio-environmental mitigation instrument (partial EIA, simple Environmental Management Plan, or #no action#). This is in keeping with current procedures in Tunisia, and would be implemented by law. For each additional country accessing the Facility in future, an annex would be added to the ESMS to specify additional requirements.

In the case of Tunisia, given the relatively high capacity of the ANPE, the ESMS requires (i) ANPE approval before funding from the Facility can proceed, as well as (ii) screening for impacts on international waterways, safety of dams, disputed territories, deforestation, natural habitats, and endangered species, which would rule the investment as ineligible. This is partly in response to biodiversity and natural habitat issues not being covered by ANPE, which regulates only pollution.

Because PFIs and MSMEs may not have the required capacity to identify impacts on natural habitats and species, training will be provided to the PFIs in environmental

safeguards such as screening. Additional technical assistance (TA) could be provided to further strengthen these aspects, if funding is available.

Additionally, the project, at PIU level, would track the number of activities having received non-objection from ANPE at startup; annually; and would ensure an independent annual evaluation focusing specifically on cumulative impacts and labor issues.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people. The key stakeholders are MSMEs and PFIs, and the main consultation mechanism during implementation would be between businesses applying for loans and their financial institution (e.g. banks, leasing agencies, factoring agencies).

The project has carried out extensive consultation with PFIs as well as with SMEs during preparation missions in Tunisia.

In Tunisia, the official channel for announcing the availability of loans under the Facility is in the form of a circular letter from the Central bank to PFIs, who would then publicize the availability of loans to their potential (and existing) clients.

Disclosure mechanisms for environmental documents in Tunisia are weak, and this could therefore be strengthened through the planned technical assistance. The disclosure of environmental documents in a format and language accessible to the population (for example at the project site as well as on the project's or the relevant ministry's website) was carried out.

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### ***B. Disclosure Requirements Date***

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#### **Environmental Assessment/Audit/Management Plan/Other:**

Was the document disclosed <b>prior to appraisal?</b>	Yes
Date of receipt by the Bank	05/22/2011
Date of "in-country" disclosure	05/23/2011
Date of submission to InfoShop	05/26/2011
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	

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#### **Resettlement Action Plan/Framework/Policy Process:**

Was the document disclosed <b>prior to appraisal?</b>	
Date of receipt by the Bank	
Date of "in-country" disclosure	
Date of submission to InfoShop	

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#### **Indigenous Peoples Plan/Planning Framework:**

Was the document disclosed <b>prior to appraisal?</b>	
Date of receipt by the Bank	
Date of "in-country" disclosure	

Date of submission to InfoShop

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**Pest Management Plan:**

Was the document disclosed **prior to appraisal?**

Date of receipt by the Bank

Date of "in-country" disclosure

Date of submission to InfoShop

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

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

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

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**OP/BP/GP 4.01 - Environment Assessment**

Does the project require a stand-alone EA (including EMP) report? Yes

If yes, then did the Regional Environment Unit or Sector Manager (SM) review and approve the EA report? Yes

Are the cost and the accountabilities for the EMP incorporated in the credit/loan? N/A

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**The World Bank Policy on Disclosure of Information**

Have relevant safeguard policies documents been sent to the World Bank's InfoShop? Yes

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs? Yes

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**All Safeguard Policies**

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies? Yes

Have costs related to safeguard policy measures been included in the project cost? Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies? Yes

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

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***D. Approvals***

<b><i>Signed and submitted by:</i></b>	<b><i>Name</i></b>	<b><i>Date</i></b>
Task Team Leader:	Mr Douglas Pearce	05/31/2011
Environmental Specialist:	Ms Samia Al-Duaij	06/07/2011
Social Development Specialist	Ms Hana Salah	06/13/2011
Additional Environmental and/or Social Development Specialist(s):		
<b><i>Approved by:</i></b>		
Regional Safeguards Coordinator:	Mr Hocine Chalal	06/15/2011
Comments:		
Sector Manager:	Mr Simon C. Bell	06/07/2011
Comments:		