

INTEGRATED SAFEGUARDS DATA SHEET ADDITIONAL FINANCING

Report No.: ISDSA13106

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I. BASIC INFORMATION

1. Basic Project Data

Country:	India	Project ID:	P155601
		Parent Project ID:	P119043
Project Name:	Addl. Financing - Scaling Up Sustainable and Responsible Microfinance (P155601)		
Parent Project Name:	India: Scaling Up Sustainable and Responsible Microfinance (P119043)		
Task Team Leader(s):	Subrahmanya Pulle Srinivas, Varsha Marathe Dayal		
Estimated Appraisal Date:	18-May-2015	Estimated Board Date:	08-Sep-2015
Managing Unit:	GFMDR	Lending Instrument:	Investment Project Financing
Sector(s):	Microfinance (100%)		
Theme(s):	Rural non-farm income generation (10%), Other social protection and risk management (20%), Micro, Small and Medium Enterprise support (50%), Financial Consumer Protection and Financial Literacy (6%), Other Financial Sector Development (14%)		
Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)?			No
Financing (In USD Million)			
Total Project Cost:	300.00	Total Bank Financing:	200.00
Financing Gap:	0.00		
Financing Source			Amount
Borrower			100.00
International Bank for Reconstruction and Development			200.00
Total			300.00
Environmental Category:	F - Financial Intermediary Assessment		

Is this a Repeater project?	Yes
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2. Project Development Objective(s)

A. Original Project Development Objectives – Parent

The objective of the project is to scale up access to sustainable microfinance services to the financially excluded, particularly in under-served areas of India, through, among other things, introduction of innovative financial products and fostering transparency and responsible finance.

B. Proposed Project Development Objectives – Additional Financing (AF)

3. Project Description

The main rationale for the proposed additional financing for this well-performing project is to help sustain SIDBI's ongoing successful efforts in the microfinance sector and lock-in the gains from the parent project so that the positive momentum built up thus far is entrenched and further capitalized upon. The proposed additional financing would help further scale up funding support to MFIs in India through provision of debt, quasi-equity, and equity financing and this will (i) support MFIs' operations and growth, (ii) enhance MFIs' financial strength, and (iii) enable them to leverage and crowd-in private commercial funds to on-lend larger amounts to the underserved. It would also help sustain the focus on responsible lending practices, expand financing to low income states and under-served areas, introduce new/innovative products for MFIs, and provide transition support to MFIs that may transform to small banks that are able to provide a more comprehensive suite of financial services and scale up project impact further. While clearly sector practices have improved and a good foundation has been laid as part of the parent project, sustained further efforts on this will help ensure that client protection principles get fully entrenched in the sector in the long term. The good progress on lending to low income states needs to be enhanced, just as the introduction of new products such as subordinate debt and equity for MFIs and micro-enterprise graduation loans to clients could better meet the needs of the sector.

The proposed Additional Financing is also broadly aligned with the World Bank Group's commitment to Universal Financial Access by 2020. India is a priority country for the UFA goal. While impressive progress has recently been made in expanding ownership of accounts through the government's Jan Dhan Yojana initiative, there are still a substantial number of adults without bank accounts to be reached, and microfinance institutions (if and when they convert to small banks under RBI's new guidelines) may be relatively well placed to reach these difficult to reach market segments. The proposed Additional Financing provides for the possibility of SIDBI's support to MFIs which convert to small banks and offer bank accounts, and thereby also contribute to furthering financial inclusion - widespread usage of a full range of financial services, including credit - which is the ultimate objective of the UFA initiative.

The project's objective and the Government's request for additional financing are consistent with the World Bank Group's Country Partnership Strategy 2013-17 (Report # 76176-IN, discussed by the Board of Executive Directors on March 21, 2013) which focuses on three main engagement areas: (i) integration, through infrastructure and strengthening of market mechanisms; (ii) transformation, through capacity building of urban and rural institutions; and (iii) inclusion, through social programs

and promotion of human development. The proposed additional financing contributes directly to engagement area (iii) through its impact on enhancing financial inclusion of the poor and underserved and indirectly to engagement area (ii) through its impact on financial, operational, and corporate as well as sectoral strengthening of MFIs that operate in both rural and urban areas.

The existing arrangement for the parent project, where safeguards responsibility has been delegated to the Global Practice will continue for additional financing.

4. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The microfinance activities under the original project were carried out across India targeting mostly underserved areas. The proposed additional finance project will continue similar efforts. The additional financing will not finance a specific set of pre-identified investments. Funds will be intermediated to a number of MFIs to microfinance clients. No specific sector has been identified, and financial intermediaries will undertake on-lending on market principles.

5. Environmental and Social Safeguards Specialists

Satya N. Mishra (GSURR)

Sita Ramakrishna Addepalli (GENDR)

6. Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The proposed project activities are generally environmentally benign. However, to minimize residual safeguards risks, Exclusion List of Activities for Environmental Management (ELAs) with supporting enforcement mechanism has been agreed with SIDBI.
Natural Habitats OP/BP 4.04	No	Project will not impact Natural Habitats
Forests OP/BP 4.36	No	Project does not lead to impacts on forests
Pest Management OP 4.09	No	Pest management will not be required
Physical Cultural Resources OP/BP 4.11	No	Project is not expected to affect any Physical Cultural Resources
Indigenous Peoples OP/BP 4.10	No	Project will not impact
Involuntary Resettlement OP/BP 4.12	No	Project will not lead to this
Safety of Dams OP/BP 4.37	No	Project will not impact
Projects on International Waterways OP/BP 7.50	No	Not applicable
Projects in Disputed Areas OP/BP 7.60	No	Not applicable

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:
<p>Environmental:</p> <p>The proposed additional financing will be continued to be intermediated by SIDBI to several MFIs. While there are no set of pre-identified investments, funds will be intermediated to a number of MFIs to microfinance clients. All the MF activities financed under the parent project have been rationalized through an Exclusion List of Activities (ELAs). Based on the ELAs, the hazardous activities such as packaging inflammable materials (including fire crackers), household dying, etc, which could pose environmental safeguards risks have been minimized. By and large all the activities financed under the parent project are environmentally benign – these typically include embroidery, mat making, tailoring, wool knitting, handloom weaving, rope making, carpentry work, handicrafts, general stores, vegetable vending, etc. Given this, ELAs document for environmental management was jointly reviewed by WB and SIDBI team and confirmed the appropriateness of application of ELAs for Environmental Management, complying with OP 4.01 – Environmental Assessment. The project would not lead to any potential large scale, significant and/or irreversible environmental impacts.</p> <p>Social :</p> <p>No specific social safeguard issues, including those related to OP 4.10 and OP 4.12 and to child labor, have been experienced during the implementation of the parent project nor are they expected in the implementation of the additional financing and no potential direct or indirect negative impacts either in short or long term are anticipated against the the proposed activities in the project.</p>
2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:
<p>Environmental and Social Safeguards: No potential indirect and/or long term impacts are expected due to anticipated future activities</p>
3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.
<p>Project alternatives are not relevant in the context of environmental and social safeguards.</p>
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.
<p>Environmental Safeguards: The ongoing mechanism of environmental safeguards management through application of ELAs has been effectively streamlined in to SIDBI's on lending process. The ELA has been effectively applied in the parent project as part of credit appraisal through a two stage environmental screening process. The first level of screening is part of SIDBI's credit appraisal, wherein the MFI's micro-finance portfolio will be reviewed by credit officers to determine the nature of activities, and further stipulate an on-lending legal covenant for application of ELA by the MFI. The second level of screening and application of ELA is being followed by the MFIs as part of their appraisal for micro-financing activities under the parent Project. Such arrangements have been formalized as part of SIBI's on-lending covenants. The application of ELAs and compliance of the same are certified by MFIs on a semi-annual basis and SIDBI conducts an annual audit on ELA compliance by MFIs. In line with this process SIDBI has applied the necessary safeguards screening steps as part of the implementation of parent project and the annual audits have confirmed the compliance. Given the effectiveness of this streamlined process,</p>

the same approach will be continued for the additional financing. The disclosure of ELA for the parent project will continue to be effective (at SIDBI and Bank end) and no separate disclosure is envisaged.
Social Safeguards:
No specific social safeguards issues are expected.
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 of the parent project included MFIs and the recipients of micro-finance from MFIs. With regard to environmental safeguards, the proposed measures relate to a negative list of micro-finance activities - ELA, which is part of SIDBI's on-lending legal agreements. This measure will effectively address the environmental impacts. These have been found to be satisfactory and will continue.

B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other	
Date of receipt by the Bank	08-Dec-2009
Date of submission to InfoShop	18-Dec-2009
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	////
"In country" Disclosure	
India	15-Dec-2009
<i>Comments:</i> The Exclusion List of Activities for Environmental Management (ELA) document was disclosed as part of the preparation of the parent project. Since the ELA document holds good for the Additional Financing Project, the disclosure (in country as well as Infoshop) has been continued to effective	
If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.	
If in-country disclosure of any of the above documents is not expected, please explain why:	

C. Compliance Monitoring Indicators at the Corporate Level

OP/BP/GP 4.01 - Environment Assessment	
Does the project require a stand-alone EA (including EMP) report?	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>] NA [<input type="checkbox"/>]
The World Bank Policy on Disclosure of Information	
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
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 [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
All Safeguard Policies	

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [<input checked="" type="checkbox"/>] No [] NA []
Have costs related to safeguard policy measures been included in the project cost?	Yes [<input checked="" type="checkbox"/>] No [] NA []
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [<input checked="" type="checkbox"/>] No [] NA []
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes [<input checked="" type="checkbox"/>] No [] NA []

III. APPROVALS

Task Team Leader(s):	Name: Subrahmanya Pulle Srinivas,Varsha Marathe Dayal	
<i>Approved By</i>		
Practice Manager/ Manager:	Name: Niraj Verma (PMGR)	Date: 05-Jun-2015