

**INTEGRATED SAFEGUARDS DATA SHEET  
ADDITIONAL FINANCING**

**Report No.: ISDSA12232**

**Date ISDS Prepared/Updated:** 24-Feb-2015

**Date ISDS Approved/Disclosed:** 24-Feb-2015

**I. BASIC INFORMATION**

**1. Basic Project Data**

<b>Country:</b>	Jordan	<b>Project ID:</b>	P153987
		<b>Parent Project ID:</b>	P132314
<b>Project Name:</b>	JO-MSME Development for Inclusive Growth (P153987)		
<b>Parent Project Name:</b>	MSME Development Project for Inclusive Growth (P132314)		
<b>Task Team Leader(s):</b>	Sahar Ahmed Nasr		
<b>Estimated Appraisal Date:</b>	23-Feb-2015	<b>Estimated Board Date:</b>	04-May-2015
<b>Managing Unit:</b>	GFMDR	<b>Lending Instrument:</b>	Investment Project Financing
<b>Sector(s):</b>	SME Finance (50%), Microfinance (50%)		
<b>Theme(s):</b>	Micro, Small and Medium Enterprise support (100%)		
<b>Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)?</b>			No
<b>Financing (In USD Million)</b>			
Total Project Cost:	100.00	Total Bank Financing:	100.00
Financing Gap:	0.00		
<b>Financing Source</b>			<b>Amount</b>
Borrower			0.00
International Bank for Reconstruction and Development			100.00
Total			100.00
<b>Environmental Category:</b>	F - Financial Intermediary Assessment		
<b>Is this a Repeater project?</b>	No		

**2. Project Development Objective(s)**

#### **A. Original Project Development Objectives – Parent**

The objective of the Project is to contribute to the improvement of access to finance for micro, small and medium enterprises in the Hashemite Kingdom of Jordan.

#### **B. Current Project Development Objectives – Parent**

#### **C. Proposed Project Development Objectives – Additional Financing (AF)**

### **3. Project Description**

The proposed operation's development objective is to contribute to an improvement in access to finance for MSMEs in Jordan and ultimately expand employment opportunities through private sector development. The recent development in the regulatory space within the financial system that brought MFIs under the supervision of CBJ will expand the outreach further under the proposed AF since MFIs will be able to directly access the funds from CBJ towards end beneficiaries. Focus on expanding the PFI base and MFIs, underserved governorates, and start-ups, has been demonstrated. The additional loan will ensure wider participation of MFIs, whose client base, are women, start-up businesses and entrepreneurs. Direct lending from CBJ to MFIs will reduce the interest rate on these business clients and ensure support to these segments that have shown effectiveness and viability in terms of job creation, poverty alleviation and presence in the governorates.

In doing so, the operation will ultimately create sustainable private sector jobs, support entrepreneurship, reduce poverty and contribute to economic growth. The project will also, both directly and indirectly: (i) strengthen the link between the financing and performance in achieving sustainable, more inclusive access to finance; (ii) support new approaches to extend MSME finance on a larger scale; (iii) enhance the banking system capacity to evaluate the effectiveness of its MSE support; (iv) improve the incentives for banks to expand into MSE lending; (v) design new financial products, and Islamic products in compliance with Shari'ah; and (vii) ensure better opportunities for the remote, rural and underprivileged areas to meet citizens' needs with a special focus on entrepreneur startup MSMEs, women and youth, and to reinforce existing businesses and establish income-generating projects with the objective of achieving sustainable and balanced development.

The proposed operation will be a Financial Intermediary Loan (as per the World Bank Operations Policy Directive OP 8.30) in the amount of US\$ 100 million to supplement the base US\$ 70 million. The Bank loan will be a three-tier lending operation channeled through the CBJ—the envisioned project implementing entity—which will be responsible for communicating the features of the loan to the financial intermediaries and negotiating loan contracts. The financial intermediaries will then on-lend to the end beneficiaries (MSMEs).

The operation will be comprised of two main components: a line of credit for microenterprises, and another for small and medium enterprises. The allocation of funds between the two components will be determined based on market demand.

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

The project will be implemented nationwide with focus on all Jordanian governorates.

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

<b>6. Safeguard Policies</b>	<b>Triggered?</b>	<b>Explanation (Optional)</b>
Environmental Assessment OP/BP 4.01	Yes	The ESMF includes a project screening process to reject any subprojects with natural habitats, forest, cultural resources and/or pest management applicability. Funded microprojects may include common negative environmental impacts such as waste, wastewater, dust, and noise generation, as well as traffic deviation, and/or occupational health and safety. It is anticipated that for most sub-projects with negative impacts identified, implementation of EMP generic guidelines, or preparation and implementation of subproject-specific Environmental and Social Management Plans (ESMPs), will be sufficient.
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/ BP 4.12	No	Population relocation and involuntary land acquisition will be prohibited for financing by banks or other micro-finance institutions to the end beneficiaries through a negative list in the Operations Manual. In addition, any construction resulting in restriction to access of legally designated parks and protected areas will also be prohibited for financing by banks and other micro-finance institutions and included in the negative list in the Operations Manual. The OM will include a social assessment to determine any potential safeguards implications and actions
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/ BP 7.60	No	

## 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:**

Social. The borrower, CBJ, social safeguards institutional capacity has been assessed. Further training will be given as needed.

For a country where MSMEs comprise 97% of private enterprises, there is a huge potential to increase the percentage of female and youth entrepreneurship. This is an issue that deserves immediate and continuous attention. Although MFIs are targeting female and youth clients, it is imperative for a new approach to be implemented to move these two marginalized segments of society from the traditional context and sectors they are usually engaged in, into new, developed and innovative ones. It is a globally positively validated statement that when women do well, the economy does well.

A social safeguards consultant will be hired to assist CBJ in assessing the social safeguards capacity of the banks and MFIs as part of the criteria of selection outlined in the Operations Manual. In addition, CBJ will continue to use the original Environmental and Social Management Framework (ESMF) developed for the parent loan to ensure social safeguards compliance of borrowing banks.

CBJ will be responsible for additional training of banks and other micro-finance institutions with respect to social safeguards issues.

Environmental. The list of proposed sub-projects, as well as the screening process and monitoring and reporting arrangements, will remain the same as the Parent Project. Financed activities in the parent project included: small commercial shops (selling pastries and sweets, dairy products, household goods, bedding, car accessories, used female clothes, fabrics), carpentry, commuter vans, child and special needs child daycare centers, small-scale chocolate production, and restaurants. As Additional Financing will involve more financial intermediaries beyond the current 12 banks, the new banks will need training in the sub-project project screening process. This training needs to occur prior to the start of AF implementation. It should be noted that environmental safeguards' performance in the parent project, although adequate to meet Bank's policies, could benefit from additional implementation support.

No major environmental issues are anticipated. Project activities are not expected to result in any potential large scale, significant and/or irreversible impacts. Nonetheless, the sub-projects may result in minor negative environmental impacts. Such impacts can be effectively mitigated through the implementation of the EMSF by CBJ, the proposed implementing agency.

No additional safeguards are envisaged by the focus on underserved governorates and population segments (e.g. women). The current safeguards instruments have been satisfactorily applied in the Parent Project and no changes in the safeguards instruments are envisaged for the AF. The sub-project financed to date in the Parent Projects have been classified as having minor impacts, and have thus either not needed a sub-project EMP or have been able to implement a generic sub-project EMP.

CBJ will need to ensure that the borrowing banks and MFIs apply the EMSF, including providing proof of subproject screening, as well as IDA funds will not be used towards the funding of any

category A type sub-projects or other projects included in the negative list developed for the parent project.

Borrowers institutional capacity for safeguard policies implementation will be assessed and supported by the engagement of the PIU at CBJ, in close coordination with the Ministry of Environment. The PIU must coordinate closely with the Ministry of Environment to ensure Banks and MFIs do not complete the loan procedure before lenders provide copies of relevant environmental and social clearances to be retained in their log book file on aggregated information, in compliance with the national EIA regulations and the ESMF.

In terms of reporting on compliance with the ESMF, CBJ has on staff an environmental safeguards consultant to undertake an annual environmental compliance and performance audit, which the Governor of CBJ will share with the World Bank. In the Parent Project, CBJ reporting to the Bank has been quarterly; similarly, the Bank has performed safeguards supervision quarterly. The CBJ reporting includes detailed spreadsheets with the number of sub-projects, sub-project level classification, and sub-project EA category. This sub-project level information has been cross-checked with licensing request log books at the Ministry of Environment in order to ensure the client reporting is robust.

The Parent Project was included in an Internal Audit Department (IAD) review of Financial Intermediary (FI) projects conducted in January 2015. Both client and Bank safeguards supervision has been satisfactory; the Bank team will improve in documenting and rating the Overall Safeguards Compliance and individual OP compliance in the ISRs for the AF..

The MSMEs risk taking on debt for the first time, not understanding the risks of over indebtedness, nor having the know-how capacity to manage their loans. However, these risks were appropriately mitigated in the parent project. The banks that the CBJ lent under this project had the required experience lending to these groups and other micro-financial institutions. The additional financing project phase will attempt to engage directly with MFIs, who must overcome this risk through screening clients as per initial and follow-up training. In this manner, the MFIs, supported by the safeguards specialist, ensure that there are no negative social impacts.

CBJ will ensure that necessary capacity building on safeguards compliance is provided to the banks and MFIs to ensure that the needed documentation on compliance is provided or other means as needed in the chain of on-lending to micro enterprises. All training will be based on the environmental and social assessment details in the Operations Manual of the parent project, still relevant to the Additional Financing.

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

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

**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.**

**5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.**

### B. Disclosure Requirements

<b>Environmental Assessment/Audit/Management Plan/Other</b>	
Date of receipt by the Bank	24-Oct-2012
Date of submission to InfoShop	26-Oct-2012
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	////
"In country" Disclosure	
Jordan	24-Oct-2012
<i>Comments:</i>	
<b>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.</b>	
<b>If in-country disclosure of any of the above documents is not expected, please explain why:</b>	

### C. Compliance Monitoring Indicators at the Corporate Level

<b>OP/BP/GP 4.01 - Environment Assessment</b>	
Does the project require a stand-alone EA (including EMP) report?	Yes [ ] No [ × ] NA [ ]
<b>The World Bank Policy on Disclosure of Information</b>	
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [ ] No [ × ] NA [ ]
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 [ ] No [ × ] NA [ ]
<b>All Safeguard Policies</b>	
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [ ] No [ × ] NA [ ]
Have costs related to safeguard policy measures been included in the project cost?	Yes [ ] No [ × ] NA [ ]
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [ ] No [ × ] NA [ ]
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes [ ] No [ × ] NA [ ]

### III. APPROVALS

Task Team Leader(s):	Name: Sahar Ahmed Nasr	
<b>Approved By</b>		
Practice Manager/ Manager:	Name: Rolf Behrndt (PMGR)	Date: 24-Feb-2015