

**INTEGRATED SAFEGUARDS DATA SHEET
ADDITIONAL FINANCING**

Report No.: ISDSA7691

Date ISDS Prepared/Updated: 28-Feb-2014

Date ISDS Approved/Disclosed: 03-Mar-2014

I. BASIC INFORMATION

1. Basic Project Data

Country:	Tunisia	Project ID:	P146799
		Parent Project ID:	P124341
Project Name:	TN-MSME Development Project Additional Financing (P146799)		
Parent Project Name:	MNA Micro, Small and Medium Enterprise Financing Facility (P124341)		
Task Team Leader:	Laurent Gonnet		
Estimated Appraisal Date:	25-Feb-2014	Estimated Board Date:	17-Apr-2014
Managing Unit:	MNSF1	Lending Instrument:	Investment Project Financing
Sector(s):	SME Finance (100%)		
Theme(s):	Micro, Small and Medium Enterprise support (100%)		
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:	100.00	Total Bank Financing:	100.00
Financing Gap:	0.00		
Financing Source			Amount
Borrower			0.00
International Bank for Reconstruction and Development			100.00
Total			100.00
Environmental Category:	F - Financial Intermediary Assessment		
Is this a Repeater project?	No		

2. Project Development Objective(s)

A. Original Project Development Objectives – Parent

The project development objective is to improve access to finance for micro, small and medium enterprises in Tunisia, including through enabling creditworthy MSMEs to maintain access to credit.

B. Current Project Development Objectives – Parent

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

3. Project Description

This MSME Facility is an Additional Financing -AF- in the amount of US\$m 100 to continue to support access to finance for MSMEs.

Development Policy Loans (DPLs) and the associated Policy Matrix measures agreed with Governments since the revolution will complement this AF. The resulting policy and legal reforms will strengthen the impact of the financing provided by the AF by enabling financial institutions to offer financial services to smaller and under-served MSMEs, including women-headed MSMEs. As of November 2013, two Development Policy Loans were granted to Tunisia that included measures that improve the policy, legal and sector context for MSME Finance. A third DPL is under preparation.

While maintaining the vital flow of financing to credit-worthy MSME, this AF will also support the liquidity to the banking system. 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 instability in Tunisia since the Revolution (January 2011).

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

The Additional Financing will be managed by the Central bank of Tunisia, as it was the case for the initial project. The beneficiary MSMEs will be located throughout Tunisia (including in underserved regions) and will utilize the funds towards MSME sub-projects.

5. Environmental and Social Safeguards Specialists

Taoufiq Bennouna (MNSEE)

6. Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/ BP 4.01	Yes	This Additional Financing –AF- will aim to increase resources available for MSME lending. As such, the project is classified as Category #FI#, according to both World Bank Safeguard procedures. Sponsors of sub-projects will approach this AF via financial institutions for financing, and these financial institutions will make the decision on whether to support a subproject based on its commercial viability, and according to the procedures set out in the

		Operations Manual that will be agreed prior to Project effectiveness. The AF will consider the potential environmental and social impacts and risks of any subproject that it finances. The project would support an Environmental and Social Management System (ESMS) to identify, mitigate and monitor potential social and environmental impacts in compliance with Bank Policies and Tunisia's applicable laws and regulations.
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	
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

<p>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> <p>This Additional Financing will provide loans up to US\$m 100 to eligible financial institutions in order to finance micro, small and medium enterprises (MSMEs) through sub-loans. The type of project or sector would not be restricted. However the size of the sub-loans 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.</p> <p>The first line of credit was accompanied by an Environmental and Social Management System (ESMS) responsible for managing the environmental and social framework of funded activities. This ESMS will be published in the ANPE web site and infoshop. During the evaluation of this first line of credit (October 2013), the Bank found out that a significant number of firms that have</p>
--

applied to the parent project, in economic sector such as food processing, pharmaceutical, mechanical and electrical industries were put aside from the eligibility process as they proved not meet the criteria developed in the first ESMS, while these activities can be eligible provided that they are categorized in the World Bank B category according to OP 4.01. The ESMS has been updated in order to take into account all the concerns listed above, including the extension of eligibility for certain activities.

Potential negative impacts may however include loans to MSMEs in the following sectors: construction; food processing (including olive oil); textiles; pharmaceutical 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.

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, affecting natural habitats, forestry, pest management, physical and cultural resources. 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 (Agence Nationale de Protection de l’Environnement –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) has updated the Environmental and Social Management System (ESMS) in order to take into consideration additional activities. This new ESMS will 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. The new ESMS have been validated (national workshop held November 27 at the headquarter of the Bank in Tunisia with the Central Bank of Tunisia, the National Environmental Protection Agency, the Ministry of Cooperation and the Tunisian Employers’ Association).

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.

Since PFIs and MSMEs may not have the required capacity to identify environmental and social impacts, some training session will be provided to the PFIs on environmental safeguards and screening techniques. Additional technical assistance (TA) could be provided to further strengthen these aspects if needed.

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).

A focal point based at the National Agency of Environmental Protection will help stakeholders to decide on the eligibility of projects, fill out the screening forms, support the project leaders from the Environment Agency, follow the publication on the website of the Environmental Agency and ensure the monitoring of environmental indicators

The project has carried out extensive consultation with PFIs 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 on the project's or the relevant ministry's website) will be carried out.

B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other	
Date of receipt by the Bank	27-Nov-2013
Date of submission to InfoShop	25-Feb-2014
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	
"In country" Disclosure	
Tunisia	25-Feb-2014
<i>Comments:</i> http://www.anpe.nat.tn/index.php?option=com_content&view=article&id=294&Itemid=211&lang=fr	

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 [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Have costs related to safeguard policy measures been included in the project cost?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
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 [<input type="checkbox"/>] NA [<input type="checkbox"/>]
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 [<input type="checkbox"/>] NA [<input type="checkbox"/>]

III. APPROVALS

Task Team Leader:	Name: Laurent Gonnet	
<i>Approved By</i>		
Regional Safeguards Advisor:	Name: Nina Chee (RSA)	Date: 28-Feb-2014
Sector Manager:	Name: Simon C. Bell (SM)	Date: 03-Mar-2014