

**Somali Core Economic Institutions and Opportunities Program  
(SCORE)**

**ENVIRONMENTAL AND SOCIAL  
MANAGEMENT FRAMEWORK  
(ESMF)**

- Executive Summary -

**November 23, 2015**

## PROJECT SCOPE AND CONTEXT

**The project scope** is described in detail in the PAD in section III A, as well as Annex 2. In summary, the Project is a two-phased series of projects (SOPs) with the goal of supporting select core economic institutions linked to trade, financial sector and private sector development in Somalia. The objective of the first phase (SOP-1, USD \$30 million) is to improve the enabling environment for private and financial sector development and catalyze private investment and job creation. SCORE is funded by the Somalia Multi-Partner Fund (MPF) and expands the geographic coverage of a previous project (the USD \$24 million Private Sector Development Re-engagement Phase II Project) that began in 2011 and included project activities in Somaliland. The SCORE SOP-1 Project will continue the process of building stronger governance and institutional foundations at some of Somalia's most important economic institutions (the Central Banks, Port Authorities, Ministry of Commerce and Industry). It will also support economic recovery by facilitating entrepreneurship, improving access to formal sources of finance, strengthening skills formation and business development services providers, and by providing fiscal incentives for inward investment.

The SCORE SOP-1 Project includes three components as follows:

- i. **Component 1** (Strengthening Core Economic Institutions) will help strengthen the economic institutions in three critical areas of the economy: (i) central banking, to allow for the emergence of a formal financial sector, which would improve access to finance; (ii) the MoCIs, to support the introduction of a basic and more modern legal and regulatory framework that would reduce transaction costs for entrepreneurs; and (iii) local port and customs authorities, to leverage private capital, networks and expertise to improve performance of the port sector. Component 1 will finance three sub-components including:
  - Sub-component 1A - Strengthening Central Bank Supervision and Regulation;
  - Sub-component 1B - Improving the Investment Climate and Sub-component; and
  - Sub-component 1C: Developing the Port Sector.
- ii. **Component 2** (Expanding Economic Opportunities) will expand economic opportunities in Somalia through two support mechanisms: one linked to skills formation and private sector capacity building (SME Service Facility); and another one linked to direct financial incentives aimed at crowding in private investment in innovative and labor-intensive activities (the Catalytic Fund). The Catalytic Fund will be open to all commercially-oriented sectors and is designed to support the recovery of the private sector by providing matching grants to support new investments by SMEs. Component 2 will finance two sub-components including:
  - Sub-component 2A: Catalytic Fund; and
  - Sub-component 2B: SME Service Facility.
- iii. **Component 3** (Project Management) will provide support for project implementation.

SCORE will be a Somalia-wide Program and will include activities in Puntland and Somaliland. The project will be implemented by Project Implementation Units established in the Federal Government of Somalia, Government of Puntland and Government of Somaliland, except where the Task Team has requested exceptional bank execution of activities on behalf of the Recipient (including all of Component 2).

## ENVIRONMENTAL AND SOCIAL IMPACTS

**The main potentially adverse environmental and social impacts are associated with Component 2(a):** This sub-component would directly fund a wide scope of economic activities, some of which could have

relevant E&S impacts that would have to be managed and mitigated. An E&S due diligence mechanism has thus been designed and implemented, which ensures screening for possible impacts, offers guidance on assessment, management and mitigation requirements, and provides boundaries for the scope of financing (in form of a negative list of undesirable entrepreneurial activities).

There are specific E&S risks resulting from the project's objective catalyzing economic development via mobilization of individual entrepreneurship: (i) the absence of national environmental and social regulations (and largely legislation), and (ii) the absence of, or only rudimentary functioning of the environmental service sector (e.g. water and electricity supply, sewage disposal, waste disposal). Thus the project needs to be conscientious of environmental issues that could arise from the lack of water supply (e.g. private wells / boreholes outside anyone's knowledge or control), electricity supply (private generators producing noise and diesel fumes) and the treatment and disposal of gaseous emissions, effluents and solid waste (unregulated emissions, pollution of air and surface water / groundwater, unregulated / unmanaged waste disposal). To underscore this issue, none of the Somali territorial capitals has a waste management facility designed to modern standards and operated to acceptable practice, neither a functioning wastewater treatment plant, thus a rapid expansion of e.g. manufacturing, processing or small industry could result in serious bottlenecks for environmental services.

## **INSTITUTIONAL CAPACITY FOR SAFEGUARD POLICIES**

Somalia is a fragile and conflict affected country emerging from a 20 year long conflict and the recipient's institutional capacity for safeguard policies is low. Also national legislation for environmental assessment and management currently exists only in rudimentary forms, necessitating the adoption of external policies and standards, such as the WBG's safeguards policies and performance standards.

Another aspect of the regulatory and institutional environment is the absence of, or only rudimentary functioning of the environmental service sector (e.g. water supply, sewage disposal, waste disposal). Thus the project will need to be conscientious of environmental issues that could arise from the lack of water supply (e.g. private wells / boreholes outside anyone's knowledge or control), and the treatment and disposal of gaseous emissions, effluents and solid waste (unregulated emissions, pollution of air and surface water / groundwater, unregulated / unmanaged waste disposal). To underscore this issue, none of the territorial capitals has a waste management facility designed to modern standards and operated to acceptable practice, neither a functioning wastewater treatment plant, thus a rapid expansion of e.g. manufacturing, processing or small industry could result in serious bottlenecks for environmental services. A close dialogue with utilities and municipal authorities will help to identify concrete risks and design measures to avoid, minimize and mitigate. Also, other Bank-financed projects are addressing some of these issues, e.g. waste management in Hargeisa by an urban development project.

## **ENVIRONMENTAL AND SOCIAL MANAGEMENT AND MITIGATION MEASURES**

To mitigate and manage above described risks the project has produced this environmental and social management framework (ESMF), which lays out environmental and social baseline conditions, identified the main risks and potential adverse impacts, and addresses the required screening, assessment and management processes and measures. The ESMF also helps to identify the appropriate instruments for assessment and management of the anticipated adverse impacts, along a hierarchy of avoidance, minimization, mitigation and compensation / offset. This ESMF covers the anticipated scope of financial support activities (grants) directed at SMEs of the private sector. The following sections outline the functioning of this ESMF:

## PROJECT E&S SCREENING

Environmental and social screening will be routinely embedded in the review and approval process of the grant applications received by the Project. The Fund Manager (SBF/2 Somaliland Business Fund/ Somali Business Fund 2) will have roughly 10-12 full time staff (of which around 25% will be international experts). Short –term international experts (with specific skills and specializations, e.g. on E&S management) will also circulate in and out of Somalia and help review proposals on a regular basis. Furthermore there will be a team of business analysts who support the process of outreach, assistance with the preparation of proposals, support in reviewing proposals, and documentation as well as review and monitoring during implementation.

The application process has the following key steps:

- 1.) Investors are invited to submit two page investment proposals to the fund before a fixed deadline.
- 2.) The Fund team evaluates these proposals based on fixed and transparent criteria and produces a shortlist of proposals whose owners are invited to submit a full business case for the investment proposal.
- 3.) The investor develops the business case and submits it before a new deadline.
- 4.) The Fund team evaluates the full proposals and produces a new shortlist of proposals that the Fund presents to a Grant Advisory Panel for review. The Grant Advisory Panel made up of ministers and civil society organizations reviews the proposals and advises on each proposal and whether it fulfils the criteria and social benefits sought by the fund and the country.
- 5.) Environmental and social factors are considered in all stages of the screening process. E.g. if a project relates to activities included in the negative list, it may be rejected on E&S ground quite upstream in the process. The detailed E&S review, and the assignment of a specific E&S instrument, would take place in step 4 described above.

The Grant Manual, which guides the Fund Management Company’s actions, will include a section that clearly outlines how safeguards-related matters will be dealt with. The following approach is envisaged:

- a) The Grant Manual includes a set of “red flag” activities / negative list of activities that will not be supported. This would be communicated to applicants when applicants are invited to submit proposals. Applicants that submitted negative list proposals would be turned down and the Fund would report on a regular basis on the nature and statistics of these proposals.
- b) The Grant Manual includes a checklist of activities that would require further inspection (“orange flag” activities) by a trained safeguards specialist first within the Fund team, and later by a WB safeguards specialist. Such proposals would be scrutinized by an external safeguards specialist, hired by the Fund Manager, and this expert would put together a brief report with motivations whether the concerns are deemed safe or risky, as outlined in the framework of appropriate activities in the Grant Manual. Also the appropriate safeguards instrument would be proposed, which in almost all cases would be an abbreviated, checklist-type ESMP.
- c) For the screening process a Positive / Negative List has been developed (Annex C of the ESMF main document), which will be used for the initial classification of projects (and elimination of ineligible ones) and the subsequent assignment of safeguards instruments.

- d) The reports would be checked and verified by the World Bank Safeguards Specialist and consultations would be held by email or the phone as necessary, before the final shortlist is submitted to the Grant Advisory Panel for final review and decision.

## **ASSIGNMENT OF ENVIRONMENTAL AND SOCIAL INSTRUMENTS**

Annex C of the ESMF main document outlines the envisaged list of activities, identified ineligible ones, and classifies the eligible activities into environmental risk categories (A = hazard, B = potential hazard; C1 potential hazard under specific circumstances; C2 not hazardous). For the purpose of this ESMF the following approach is envisaged:

Overall, two types of potential environmental and social (E&S) instruments are foreseen in the project, which would be assigned depending on the screening process. Thus, four different scenarios could result from the screening process in terms of E&S risks and impacts, and further processing:

1. The sub-project has no or negligible E&S impacts; no E&S management instruments, or further monitoring of the project is required (rating C1 or C2);
2. The project has minor to moderate E&S impacts, that are localized, standard in nature, and easily identifiable, and mitigable with “off the shelf” good housekeeping and simple mitigation measures. For such projects a checklist an ESMP will be prepared as E&S due diligence instrument, and define the project owner’s obligations and accountability in terms of E&S compliance (ratings C1 or B).
3. The project has substantial environmental impacts (still within Category B), that require a thorough investigation and analysis prior to the definition and design of effective E&S management measures. For such projects a detailed environmental and social impact assessment (ESIA) will be produced to assess impacts, identify appropriate, targeted mitigation measures, and provide the information basis for the ESMP (rating A).
4. The project falls under the scope of the negative list of ineligible activities. It is excluded from further consideration for financing.

Regarding the above item 4, ineligible activities, this ESMF specifies some global criteria which would, aside from the specific activities planned under a proposed sub-project, render a project ineligible:

- any form of involuntary private land acquisition or resettlement,
- activities in (prospective) protected areas,
- manufacturing or trade in arms/drugs/wild animals,
- depleting or polluting aquifers,
- processes entailing the production of toxic emissions, effluents, by-products or waste.

## **GRIEVANCE MECHANISM**

Grievance mechanisms allow affected groups or stakeholders to engage with the project implementers or owners on issues of concern or unaddressed impacts. Grievances are any complaints or suggestions about the way a project is being implemented. They may take the form of specific complaints for damages/injury, concerns about routine project activities, or perceived incidents or impacts.

The World Bank standards outline requirements for grievance mechanisms for some projects. Grievance mechanisms should receive and facilitate resolution of the affected institutional or communities’ concerns and grievances. Concerns should be addressed promptly using an understandable and transparent process that is culturally appropriate and readily acceptable to all segments of affected communities, at no cost and without retribution. This can be a phone hotline, an e-mail address, and a physical location where grievances can be deposited in written or oral form.

To manage grievances effectively the Project will have a Grievance Redress Committee (GRC) established for the purpose of handling grievances related to environmental and social concerns. The GRCs will be established primarily for the sub project level and will have no legal mandate under national law. The GRC could consist of:

1. Project Affected Persons representative
2. County/ Sub County/Ward representative
3. Representatives from relevant line ministries
4. Contractor/Engineers
5. Women and Youth Representatives
6. Representation of active NGOs or CBOs in project area

The GRC would have the responsibility to follow up on all grievances, ascertain their relevance and truthfulness, and if appropriate, direct them to the entity responsible for the cause of the grievance. The GRC should mediate to achieve a satisfactory solution, and assist in elevating the grievance to national jurisdiction, if not satisfactorily resolved.