Appraisal Environmental and Social Review Summary

Appraisal Stage

(ESRS Appraisal Stage)

Date Prepared/Updated: 03/24/2020 | Report No: ESRSA00497
BASIC INFORMATION

A. Basic Project Data

<table>
<thead>
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<th>Country</th>
<th>Region</th>
<th>Project ID</th>
<th>Parent Project ID (if any)</th>
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<tbody>
<tr>
<td>Mali</td>
<td>AFRICA</td>
<td>P168812</td>
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Project Name: Promoting Access to Finance and Income Generating Opportunities in Mali Project

Practice Area (Lead): Finance, Competitiveness and Innovation

Financing Instrument: Investment Project Financing

Estimated Appraisal Date: 3/16/2020

Estimated Board Date: 7/30/2020

Borrower(s): Republic of Mali

Implementing Agency(ies): Ministry of Finance

Proposed Development Objective(s)

To enhance access to finance and provide income generating opportunities for targeted beneficiaries in Mali

Financing (in USD Million)

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<th>Amount</th>
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B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

The project aims to expand access to finance for individuals and MSMEs in Mali and provide opportunities for income generation targeting primarily Malian youth in fragile areas. The project intends to achieve its objectives via three main channels: (i) strengthening the performance and stability of the microfinance sector and facilitating access to and usage of digital financial services to promote sustainable financial inclusion; by (ii) providing a combination of financing instruments (grants; guarantees and long-term finance) as well as training, capacity building and business development support dedicated to Malian MSMEs and targeted beneficiaries to support their establishment and growth; and by (iii) providing labor-intensive public works projects in fragile areas of the country to provide temporary employment opportunities for vulnerable youth in affected regions.
D. Environmental and Social Overview

D.1. Project location(s) and salient characteristics relevant to the ES assessment [geographic, environmental, social]
The project will be implemented on a national scale in Mali, a semi-arid, vast and landlocked country with a population of approximately 18.5 million people.

The first component finances analytical work and technical assistance to strengthen the capacity of the micro finance institutions and to facilitate the use of digital financial services. Examples include training on norms, on-site supervision and off-site supervision and the purchase of software to record and analyze financial data. There are no adverse environmental or social impacts expected to result from these activities.

The second component provides guarantees and long-term finance for financial institutions to provide loans for micro, small and medium enterprises (MSMEs) and provide technical assistance to strengthen the capacity of MSMEs (e.g. training on how to prepare a business plan, financial statements, tax returns, etc.). Most loans to MSMEs are expected to have low E&S risks and impacts due to their small size (typically in the range of USD 10,000-USD 100,000) and short maturity (mostly working capital loans). They will not finance any construction or physical investments.

The third component provides training and financing for income generating activities (IGA) and Labor Intensive Public Work (LIPWs) in the central and northern regions of Mali (Mopti, Gao, Timbouctou, and Kidal) with the flexibility to extend the scope to other areas if needed. The microloans/grants for income generating activities of youth are very small in size and expected to range between XOF 200,000-250,000 ($US 340 – 420) for each project, while LIPW microprojects typically have a size ranging between $US1600 to US$2400. The anticipated environmental and social impacts are small in scale and site specific. It is not anticipated that any serious indirect or long term environmental or social impacts will be caused by the project. The project is expected to bring positive benefits to rural communities, individuals and businesses. An environmental and social risk and impact assessment will be undertaken once subproject sites are identified and relevant environmental and social safeguards instruments will be prepared in accordance with the requirements of the relevant ESSs as needed.

D. 2. Borrower’s Institutional Capacity

The implementation arrangements follow a two-tier structure. The Ministry of Economy and Finance (MEF) will be responsible for the overall project implementation and set up a Project Management Unit (PIU) which will be responsible for overall project oversight and coordination as well as the implementation of the capacity building and technical assistance under component 1 and part of component 2. The Private Sector Guarantee Fund (PSGF) will be responsible for the financial intermediation envisaged under component 2, providing guarantees and long-term financing for financial institutions (FIs) who will provide loans to MSMEs. Finally, the United Nations Office for Project Services (UNOPS) will be responsible for the implementation of component 3 (IGA and LIPW). Both the PSGF and UNOPS will report to the MEF PIU as the overarching implementing entity and focal point between the borrower and WB.

As the technical assistance and capacity building activities envisaged under component 1 and part of component 2 are not expected to have any adverse environmental or social impacts, any potential E&S risks and/or screening/mitigation mechanism are confined to the guarantees and financing under component 2 (implemented by PSGF and FIs) and IGA/LIPW microprojects under component 3 (implemented by UNOPS). The PSGF does not currently have an Environmental and Social Management System (ESMS), but has recruited a consulting firm to help it design and implement an ESMS. The PSGF will work with the WB team to ensure that the ESMS under preparation will meet the requirements of the WB’s new ESF. Mali’s banks are more advanced with regards to ESMS: six out of
thirteen banks (BOA, BMS, DBM, Ecobank, BNDA, BIM, BAM, BICIM, BSIC, BCS, BCI, CIB, Orabank) have an ESMS in place, in line with the IFC’s Performance Standards, as a result of IFC investments and Risk Sharing Facility (RSF) with these institutions. These six banks account for 62% of the banking sector in terms of market share (as % of total banking sector credit). UNOPS, who is implementing the third component, will be required to have an ESMS acceptable to the WB prior to the implementation of component 3. UNOPS has experience in applying the WB’s safeguards rules, including the new ESF, and can leverage work done in previous projects to meet the environmental and social risk requirements of the project. The MEF’s PIU oversight will ensure that the PSGF and FIs eligible for project financing will have and maintain ESMS acceptable to the WB throughout project implementation. UNOPS will be required to implement the project in accordance with the requirements of the Bank’s ESF. All three agencies - UNOPs, FGSP and PIU - will have dedicated safeguard specialists. Any ESF capacity gaps in the participating FIs or the PSGF will be addressed through training activities to be defined at the beginning of the project.

II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Environmental Risk Rating

The Environmental risk rating is classified as Moderate taking in account the nature and magnitude of the potential environmental and social risks and impacts of subprojects. The Labor Intensive Public Works (LIPW) and the Income-Generating Activities (IGAs) to be financed by the project are small scale activities with potentially small impacts. No adverse impacts on biodiversity, habitats or on cultural heritage are expected. While the project does not intend to restrict the sectors eligible for financing, potential FI sub-projects for which MSMEs would receive financing are generally expected to be small in size and not expected to entail adverse environmental risks and there will be an exclusion list of activities not eligible for project financing. The majority of the FI subprojects are expected to be Low Risk, specifically for investments in startups and SMEs. As the number of projects which could potentially have some negative environmental impacts would typically account for less than 5% of an MSME portfolio, the project will only finance Low-risk projects.

Social Risk Rating

The overall social risk is considered Moderate as the activities to be financed are primarily focused on TA and capacity building. The small scale civil works that will be financed are not likely to cause long term, irreversible impacts and will not require any outside labor or large contracting firms. It should be noted that GBV risks are considered High for Mali. Training will be offered to the PIU in order to sensitize them regarding potential GBV risks and mitigation.

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

The project will support the Private Sector Guarantee Fund (PSGF) as Financial intermediary mechanism and population by income generative activities which will be implemented by UNOPS. The E&S screening was based on: (i) initial consultations with the implementing agencies and financial institutions; (ii) the experience of other projects in Mali which included LIPW and IGR components (Jigisemeri; Ex-Combatants). The Implementing Agency (PSGF) will put
an environmental and social management system (ESMS) in place to ensure that any financial institution that receives project funding is aware of and compliant with the requirements of the ESF. These include eligibility criteria and E&S risk-based guidelines for prospective FIs, systems for ensuring that relevant requirements of the ESSs are passed through to the FIs, verification that the FIs have established and implemented environmental and social management systems (ESMS), a framework for monitoring and reporting on the implementation of the FIs’ ESMSs and E&S risks of their portfolios, institutional and implementation arrangements including staffing. The implementing agencies will prepare and implement an operating manual incorporating these processes and procedures. During implementation, the WB will monitor borrower and FI capacity and further assess the relevance of ESSs for the project.

It is expected that the microprojects for LIPWs and IGA will have some environmental and social impacts which will be site specific, small scale and for which mitigation measures can be easily integrated. The main social risks for the LIPW are related to labor and working conditions on work sites, potential GBV risks, social conflict related to the selection and targeting of beneficiaries and possible social conflict related to misinformation regarding the project. UNOPs will establish a ESMS to assess risks and impacts related to the IGA and implement the required measures.

For IGA, project beneficiaries will benefit from cash grants. The activities which will be financed under IGA funds may include but are not limited to: vegetable gardens, fishing and fish processing, cereal trade, cattle-raising for meat production, poultry, basic food processing, services to agriculture such as mecanics, carpentry, veterinary agents, masons, electricians and services such as solar panel maintenance, cellphone repairs etc. These transfers will be made conditional on the beneficiary developing a plan of proposed expenditure of funds that could either: (i) be used as seed funding for new income-generating activity; or (ii) used to provide a guarantee for additional funding, which could improve the productivity of an existing income-generating activity. plans for the proposed expenditure of finds will be screened against a negative eligibility list to ensure that they will not require any land acquisition or cause any negative impact on private property. For example, any activities that would require or result in involuntary land acquisition or physical displacement are not eligible for financing. The provisioning of these funds will include a signature page stating that the youth grantee will use the funds as stated in the plan for proposed expenditure. The size of the grants is small and adverse environmental and social impacts are expected to be minimal given the scope of each IGA.

As the exact nature and location of the activities are not known at this stage, an Environmental and Social Management Framework (ESMF) has been prepared to provide guidance on screening for potential risks and management of environmental and social risks. The ESMF will also provide guidance for the environmental and social assessment(s) and the types of instruments that may need to be prepared (i.e. ESIA, ESMP, etc.). The ESMF will make use of the general and sector-specific EHSGs for the identified activities in relation to occupational and community health and safety. It will also include measures for screening for and addressing any potential GBV/SEA risks.

The ESCP prepared by the Borrower and approved by the Bank includes the safeguard instruments required by ESS throughout the lifecycle of the project.

ESS10 Stakeholder Engagement and Information Disclosure
A stakeholder engagement plan (SEP) has been prepared and it identifies two main stakeholder groups: direct project-affected parties (project workers, MSMEs, IGA and LIPW beneficiaries) and other interested parties (FGSP, WBG, NGO and women association, MFIs, Micro finance supervisory body at the Ministry of Finance, UNOPS, local communities and leaders). The SEP outlines the main characteristics and interests of these stakeholder groups and the timing and methods of engagement that will be undertaken throughout the life of project. In addition, the SEP provides details regarding a project level Grievance Redress Mechanism (GRM).

The main beneficiaries of the project will be the MFIs that will participate in the component 1 activities. With regard to the other components, the main beneficiaries will be vulnerable youth and women. The eligible beneficiaries will be identified by the Borrower using an acceptable method based on a more socially inclusive approach. Beneficiaries will receive support in defining simple business plans and grants will be allocated based on the feasibility and likely sustainability of activities proposed. Eligible beneficiaries will receive training and support from implementing agencies to develop basic plans for a business activity. Prior to the trainings, the Borrower will develop a training plan based on a needs survey.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions

The project implementation unit includes direct and contract workers. Labor Management Procedures (LMP) will be prepared to address key issues such as working conditions and management of worker relationships, protecting the work force, non discrimination, minimum age of work and age verification, measures to prevent forced labor, and occupational health and safety requirements, as well as relevant guidance for employment of youth through the project’s job placement activities (e.g. Malian national labor regulations, applicable international regulations which Mali has adopted through the ILO core conventions). The ESCP refers to the functioning of an effective labor GRM based on national law and regulations and the provisions of ESS2. The guidelines and procedures for the operating of this GRM will be provided in the operational manual. It will be cross referenced in the guidelines for the project GRM. The operational manual will also include reporting procedures for any injuries or fatalities that are directly related to the implementation of project activities (ESIRT).

ESS3 Resource Efficiency and Pollution Prevention and Management

The Labor Intensive Public Works (LIPW) and the Income Generating Activities (IGA) are not expected to generate significant water, air or land pollution. However, there is a risk that minor air and water pollution could result during the implementation of the LIPW. The cumulative impacts will be identified as part of the screening process for the subprojects and mitigation measures included in the ESMP. The LIPW activities include agricultural and livestock activities and support to the improvement of community spaces that may lead to an increased used of pesticides, increased generation of wastes (solid plastic waste collection; maintenance of drainage ditches, pest management, solid waste collection, etc...) and these potential risks and impacts will need to be managed under ESS3. The ESMP will include mitigation measures to minimize and manage those risks and impacts.

ESS4 Community Health and Safety
The LIPW and IGA may generate health and safety concerns for local communities especially related to the construction of water collection micro-dams. Measures to manage information sharing related to these subprojects are included in the SEP and guidelines regarding the management of these impacts will be incorporated in the subproject’s ESMP per the guidance contained in the project ESMP. The risks associated with implementation of the subprojects in insecure areas (Center and North) will be partially mitigated by the small scale and highly local nature of the limited civil works. Also, the ESMF will make use of the general and sector-specific EHSGs for the identified subprojects in relation to community health and safety. While the GBV/SEA risks directly related to project activities are considered low, the ESMF will incorporate measures to address any potential GBV/SEA risks. 

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

This ESS is not considered relevant as any activity that would require involuntary land acquisition, economic displacement or resettlement will not be eligible for financing. Screening criteria is provided in the ESMF.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

The potential environmental risks and impacts associated with this ESS will be limited. The ESMF will provide guidance on screening and mitigation measures to ensure that project activities do not alter or cause destruction of any critical or sensitive natural habitats. It should be noted that the proposed project is not expected to involve primary production and/or harvesting of living natural resources or negative impacts on these resources. However, the IGA activities that will be financed by the project could require limited natural resources as inputs for raw materials. Also, agriculture and livestock activities could include some risk to local natural resources as these activities will need to use areas which may be natural areas and habitats of wild animals.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

There are no known Indigenous People/Sub-Saharan African Historically Underserved Traditional Local Communities in the project area. Screening will be undertaken once the subproject sites and activities have been identified.

ESS8 Cultural Heritage

As the project will be financing some limited civil works, some excavation and movement of earth can be expected. Given that there are known significant heritage sites in Mopti, Gao and Timbouctou (the last two are home to UNESCO World Heritage Sites), the project will not finance any activities that may impact these sites or other cultural heritage sites that may be identified during implementation. The activities to be financed by the project are small scale and very limited in scope and the potential impact on known and unknown physical and cultural resources is likely to be minimal. Though the possibility is not considered significant, the borrower will avoid impacts on cultural heritage and where such avoidance is not possible, will identify and implement measures to address these impacts in accordance with the mitigation hierarchy. The treatment of PCR including archaeological relics, fossils, human graves, shrines, sacred trees or groves that may be encountered will be managed through a Chance Finds Procedure that is included in the ESMF and will be further elaborated in the Environmental and Social Management Plans.
ESS9 Financial Intermediaries

The project is an FI project. It aims to finance the provision of long-term finance and risk-sharing instruments (partial credit guarantees) by building the capacity of the Private Sector Guarantee Fund (PSGF), an existing institution in Mali mandated to support SMEs with capital loans. The PSGF, a public-private fund licensed and supervised by the WAEMU banking commission, is already operational and has started to issue guarantees but it lacks the resources to scale-up its activities to meet the demand of the Malian market. Because PSGF does not have an Environment and Social Management System, the institutional capacity to address the ESF Standards will be assessed and measures have been provided in the ESCP to strengthen its capacity so that environmental and social risks and impacts can be screened and managed appropriately during project implementation. The training and capacity building plan for the PSGF will be reflected in the ESCP. An acceptable ESMS will be in place and operational prior beginning to disburse funds provided through the project during project implementation.

B.3 Other Relevant Project Risks

Despite the low risk nature of the activities that will be financed by the project, it will be implemented in insecure areas that face on-going attacks by armed groups against UN peacekeepers, the Malian army and civilians. This is especially true for the activities that will be implemented in the North and Center regions. In particular, the security situation in the Center region of the country has significantly worsened over the last year. As a result, it should be noted that the contextual risks far outweigh the direct project risks and they cannot be entirely mitigated or controlled by the government or the Bank. It will be difficult to adequately supervise the activities that will be implemented in the insecure areas and there is a risk that project implementation will be interrupted by violence or conflict. Alternatives to direct supervision will need to be considered including hiring a local NGO to do periodic audits and/or implement the GRM.

C. Legal Operational Policies that Apply

| OP 7.50 Projects on International Waterways | No |

| OP 7.60 Projects in Disputed Areas | No |

III. BORROWER’S ENVIRONMENTAL AND SOCIAL COMMITMENT PLAN (ESCP)

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<tr>
<th>DELIVERABLES against MEASURES AND ACTIONS IDENTIFIED</th>
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<td>Environmental and Social Management Framework (ESMF)</td>
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<tr>
<td>Stakeholder Engagement Plan (SEP)</td>
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<td>Labor Management Procedures (LMP)</td>
<td>05/2020</td>
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<td>Stakeholder Engagement Plan (SEP)</td>
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<tr>
<td>Operational Manual outlining the Environmental and Social Management System that will be used by FGSP and UNOPS</td>
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**B.3. Reliance on Borrower’s policy, legal and institutional framework, relevant to the Project risks and impacts**

| **Is this project being prepared for use of Borrower Framework?** | **No** |

**Areas where “Use of Borrower Framework” is being considered:**

The Borrower’s E&S Framework will not be used for the assessment, development and implementation of sub projects. The project will comply with relevant national legal requirements.

**IV. CONTACT POINTS**

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VI. APPROVAL
Task Team Leader(s): Mamoudou Nagnalen Barry, Jesse Jon Gerome Doyle, Teymour Abdel Aziz  
Practice Manager (ENR/Social): Maria Sarraf Cleared on 04-Mar-2020 at 11:57:51 EST