FEDERAL GOVERNMENT OF SOMALIA

MINISTRY OF FINANCE

SOMALIA CAPACITY ADVANCEMENT, LIVELIHOODS AND ENTREPRENEURSHIP, THROUGH DIGITAL UPLIFT PROGRAM (SCALE-UP)

ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK (ESMF)

DRAFT

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<thead>
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<th>Abbreviation</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>AML/CFT</td>
<td>Anti-Money Laundering / Combating Financing of Terrorism</td>
</tr>
<tr>
<td>BESS</td>
<td>Battery Energy Storage Systems</td>
</tr>
<tr>
<td>EA</td>
<td>Environmental Assessment/Environmental Audit</td>
</tr>
<tr>
<td>CBS</td>
<td>Central Bank of Somalia</td>
</tr>
<tr>
<td>ECoP</td>
<td>Environmental Code of Practice</td>
</tr>
<tr>
<td>EHS</td>
<td>Environment Health and Safety</td>
</tr>
<tr>
<td>EMP</td>
<td>Environmental Management Plan</td>
</tr>
<tr>
<td>ESMF</td>
<td>Environmental and Social Management Framework</td>
</tr>
<tr>
<td>ESMS</td>
<td>Environment and social management system</td>
</tr>
<tr>
<td>FI</td>
<td>Financial Intermediary</td>
</tr>
<tr>
<td>FGS</td>
<td>Federal Government of Somalia</td>
</tr>
<tr>
<td>FRC</td>
<td>Financial Reporting Center</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
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<td>GRM</td>
<td>Grievance Redress Mechanism</td>
</tr>
<tr>
<td>GRS</td>
<td>Grievance Redress Service</td>
</tr>
<tr>
<td>ID</td>
<td>Identification Document</td>
</tr>
<tr>
<td>IDA</td>
<td>International Development Association</td>
</tr>
<tr>
<td>ISDS</td>
<td>Integrated Safety Data Sheet</td>
</tr>
<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
</tr>
<tr>
<td>KYC</td>
<td>Know Your Customer</td>
</tr>
<tr>
<td>LOC</td>
<td>Letter of Credit</td>
</tr>
<tr>
<td>MIS</td>
<td>Management Information System</td>
</tr>
<tr>
<td>ML/TF</td>
<td>Money Laundering / Terrorist Financing</td>
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<tr>
<td>MOF</td>
<td>Ministry of Finance</td>
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<tr>
<td>MOU</td>
<td>Memorandum of Understanding</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Description</td>
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<tr>
<td>--------------</td>
<td>-------------</td>
</tr>
<tr>
<td>MPTT</td>
<td>Ministry for Posts, Telecoms and Technology</td>
</tr>
<tr>
<td>MSME</td>
<td>Micro and Small Medium Enterprise</td>
</tr>
<tr>
<td>NADRA</td>
<td>National Database and Registration Authority</td>
</tr>
<tr>
<td>NCA</td>
<td>National Construction Authority</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-governmental Organization</td>
</tr>
<tr>
<td>OHS</td>
<td>Occupational Health and Safety</td>
</tr>
<tr>
<td>OP</td>
<td>Operational Policy</td>
</tr>
<tr>
<td>OSS</td>
<td>One Stop Shop</td>
</tr>
<tr>
<td>PDO</td>
<td>Project Development Objective</td>
</tr>
<tr>
<td>PFI</td>
<td>Potential Financial Intermediary</td>
</tr>
<tr>
<td>PIM</td>
<td>Project Implementation Manual</td>
</tr>
<tr>
<td>PIU</td>
<td>Project Implementation Unit</td>
</tr>
<tr>
<td>PP</td>
<td>Procurement Plan</td>
</tr>
<tr>
<td>PPP</td>
<td>Public Private Partnerships</td>
</tr>
<tr>
<td>PSC</td>
<td>Project Steering Committee</td>
</tr>
<tr>
<td>PV</td>
<td>Photovoltaic</td>
</tr>
<tr>
<td>RE</td>
<td>Recipient Executed</td>
</tr>
<tr>
<td>SCALED_UP</td>
<td>Somalia Capacity Advancement, Livelihoods And Entrepreneurship, Through Digital Uplift Program</td>
</tr>
<tr>
<td>SCORE</td>
<td>Somali Core Economic Institutions and Opportunities</td>
</tr>
<tr>
<td>SHS</td>
<td>Solar Home System</td>
</tr>
<tr>
<td>TA</td>
<td>Technical Assistance</td>
</tr>
<tr>
<td>TOR</td>
<td>Terms of Reference</td>
</tr>
<tr>
<td>USD</td>
<td>United States Dollar</td>
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<tr>
<td>WBG</td>
<td>World Bank Group</td>
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EXECUTIVE SUMMARY

Introduction

This document presents the Environmental and Social Management Framework (ESMF) for the Somalia Capacity Advancement, Livelihoods and Entrepreneurship, Through Digital Uplift Program (SCALE-UP). The ESMF ensures that the project activities are compliant with the relevant requirements of national policies, regulations and legislations as well as the World Bank Safeguards Policies and Procedures. The objective of this ESMF is to set out the principles, rules, guidelines and procedure to assess the environmental and social impacts and monitoring to ensure that environment and social aspects are duly considered.

The objective of this ESMF is to provide an environmental and social management framework for the design and management of the SCALE-UP and provides a practical processing tool during project formulation, design, planning, implementation, and monitoring to ensure that environment and social aspects are duly considered. SCALE-UP is categorized as B according to OP4.01 and sub projects receiving a credit line under Component 2 will be no higher than given “Category B”\(^1\).

This ESMF only applies to those activities that will be financed, either directly or indirectly, by SCALE-UP, and not to any other activities that a supported beneficiary may be otherwise involved in.

Project Development Objective

The Project Development Objective (PDO) is to support progress towards increased access to basic digital financial and government services supporting entrepreneurship and employment, particularly for women. Achievement of PDOs will be measured by the following indicators:

- Number of people who have received their unique ID number or ID card, of which (%) are female
- Number of people accessing financial services using their digital ID, of which (%) are female
- Number of firms that benefit from reformed business registration requirements, of which (%) are female owned
- Value of MSME loans outstanding from the MSME Financing Facility (USD), of which (%) are female owned
- Jobs created by firms that access the MSME Financing Facility, of which (%) are for females, and of which (%) sustainable jobs

Project Description

The project proposes to finance activities to expand financial and digital access over a four-year period for US $ 30 million. The project will consist of three components: summarized in figure 1 below

\(^1\) All project sub-loans to the MSMEs receiving a credit line under Component 2 that may be assessed as Category A will be disqualified
Component 1: Strengthening Institutions

This component is focused on stabilizing core government functions enabling access to services for individuals and businesses. The component will support regulatory technology (RegTech) solutions that will support regulated entity financial reporting to regulatory agencies and rigorous data analysis thereby improving effectiveness of institutions. The component also proposes to continuously monitor implementation progress of the technical components of the digital ID system being delivered by NADRA and external factors that might affect the implementation timelines. The key areas covered by this component are as follows: (a) support to the CBS on improving financial institutions regulations and supervision, promoting efficient financial intermediation and strengthening policies and strategies for digital financial services and expanding financial access; (b) support the FRC on enhancing its understanding of Somalia’s AML/CFT risks, analyzing financial intelligence, and disseminating reports to LEAs as appropriate; (c) support to the Ministry of Posts, Telecommunications and Technology (MPTT)/NCA, including mobile network operator licensing by the NCA; and (d) support to the new ID administration body, including setting up and operationalization.
Component 2: Enabling Financial and Digital Services.

This component focuses on scaling up access to services to individuals and businesses offering economic opportunities and restoring resilience. Under this component, the project proposes to support rollout of services and enhanced coverage by developing sustainable mechanisms for service delivery. Areas covered by the component are as follows: (a) establishing a financial intermediary financing facility for MSMEs (‘the MSME Financing Facility’) and setting up a dedicated entity to manage the facility using private sector management and governance principles, as well as AML/CFT controls in accordance with FATF standards. Eligible financial institutions will be those which are appraised by the MSME financing facility and meet World Bank policies as well as other risk considerations (including E&S safeguards and AML/CFT risks); (b) elaboration of a digital ID enrollment strategy and supporting digital ID services for financial access including mobile money, banks, and MTBs, including the participating of local NGOs and entrepreneurs to support outreach to the poorer and marginalized groups; (c) Government digital payments, construction of interoperable retail payments services, and integrated Government digital services thereby contributing to strengthened systems for revenue mobilization and expenditure management in an increasingly coherent federal government structure for service delivery; and (d) e-business registration services for SMEs through operationalization of one-stop-shop (OSS) thereby enabling access to a centralized information service to identify and verify the identity of the beneficial owners of all legal entities operating in Somalia y customers. It also enables customer due diligence (CDD) as a pillar of an effective AML/CFT program by financial service providers operating in Somalia as well as the MSME financing facility set up under the proposed project.

Component 3: Project Management

Activities to be financed by this component will include provision of goods, consulting services, training, and operating costs of the Project Implementation Unit (PIU) to support project coordination, implementation, monitoring and evaluation (M&E), and management.

Project Beneficiaries

Direct beneficiaries of the project will be the residents of Somalia, especially women and female owners of MSMEs, who will benefit from more formalization and growth in economic participation. Women and female owners of MSMEs will derive direct benefit from improved access to financial services through ownership of transaction accounts enabled by the digital ID system and the MSME Financing Facility. Other beneficiaries of this project will be the FGS institutions that are key to delivery of targeted financial and digital services. These include the Ministry of Finance (MoF), MoCI, MPTT, CBS, FRC, NCA, a new dedicated ID administration body, and a dedicated entity to manage the MSME Financing Facility. Banks participating in the MSME Financing Facility will also directly benefit from the strengthened capacity to provide MSME financing and conduct environmental and social assessments. The project would enable delivery of support across federal member states (FMS) depending on the readiness of the states.

Project Environmental and Social Baseline

It is anticipated that some relatively small sub-project investments supported in this Project will be in the off-grid renewable energy and livestock sub-sectors. Environmental and social risks may be identified in some of this activities.
The specific locations of all SCALE-UP related activities are not known at this time but it is expected that the projects related activities will be implemented in urban, peri-urban and rural areas of Somalia. Chapter 4 of this report describes the overall baseline condition of Somalia in terms of biophysical environment and the socio-economic context. Existing environmental and socio-economic conditions will, in many cases, provide a basis for predicting impacts of the project activities. The project activities will be implemented within premises of existing MSMEs.

**Policy, Legal and Institutional Frameworks**

Policy, legal and institutional frameworks with respect to the environment are currently under development in Somalia. Assessing the potential impact of such policies and regulations on the environment, and how they could contribute to environmental conservation and sustainable livelihood improvement, will therefore be ongoing.

Currently, Article 25 and 43 of the provisional Constitution of the Federal Government of Somalia provides guidelines on environmental and social safeguards that can be observed. However, there are no standing environmental or social safeguards in terms of legislated or drafted regulations.

**Safeguard Policies and Triggers**

SCALE-UP triggers the Environmental Assessment Operational Policy (OP/BP 4.01)

Only category B or C transactions will be eligible for a loan. The project proposes to establish a line of credit (LOC) that will operate as an MSME Fund. It is anticipated that some relatively small sub-project investments supported by the MSME Fund will be in the off-grid renewable energy and livestock sub-sectors to cover loans to MSMEs as well as consumer financing “microfinance” to cover loans targeting households and micro-enterprises. All advances will be in USD and all type of credit would be eligible (working capital and investment loans).

There is potential environmental and social risk in the investments (e.g. in the off-grid renewable energy and livestock sub-sectors). The PIU at the ministry of finance, the Participating Financial Intermediaries (PFIs) and Small and Medium Enterprises (SMEs) will have responsibilities to ensure that the provisions of the ESMF are followed and complied with during implementation.

Each PFI partner will be required to undertake an Environmental and Social Screening process for each credit line which allows SCALED -UP investments to be classified according to their potential impacts and appropriate mitigation/rehabilitation measures required, and according to the World Bank’s Operational Policy 4.01 on Environmental Assessment. Eligible financial institutions will be those which are appraised by the MSME financing facility and meet World Bank policies as well as other E&S safeguard risks including sexual harassment exploitation in workplace.

It is expected that most of the beneficiary SMEs will not have adequate capacity in managing even minor environmental or social impacts. This ESMF is therefore developed to ensure that such impacts are identified, avoided, minimized and adequately mitigated. ESMF also includes the list of those transactions that are not eligible for project support. PFIs will be required to screen transactions with SMEs for environment and social impacts and integrate into their lending program the requirements of environmentally and socially sound and sustainable development in line with this ESMF.

**Potential Environmental and Social Impacts of the Project**

This ESMF considers that due mitigation process starting with subproject screening will be adopted and an environmental and social management plan (ESMP) for each subproject will be formulated.
Overall, SCALED-UP is likely to have positive impacts on the environment as well as positive socio-economic impact on the beneficiaries through improved livelihoods. However, implementation of SCALED-UP sub-projects will likely cause some negative impacts. The activities envisaged under sub-projects cumulatively may have negative impacts if not well mitigated. See table below.

**Table 1: Potential Environmental and Social Impacts of the Project**

<table>
<thead>
<tr>
<th>Type of matching credit Facility sub project</th>
<th>Likely Environmental Category</th>
<th>Potential Significant environmental and Social Concerns</th>
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<tbody>
<tr>
<td><strong>Livestock Sector Support</strong></td>
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</table>
| Large scale livestock production (e.g. > 500 heads of livestock) | A/B                           | * Direct discharge or run-off of inadequately treated wastewater may cause contamination and eutrophication decline of aquatic resources  
* Proper siting of animal sheds/pens regarding drinking water supply, homestead heath issues related to animals  
* Carrying capacity  
* Resilience of the area  
* Risk of livestock falling in a dug soil and water conservation structure  
* Inequality issues on resource accessibility and use; |
| Medium scale livestock production           | A/B                           | * Disposal or use of untreated wastewater for irrigation can affect soil quality and create water pollution.  
* Potential health issues associated with common animal diseases like foot and mouth etc. |
| Small scale animal husbandry                | B/C                           | * Proper siting of animal sheds/pens regarding drinking water supply, homestead heath issues related to animals |
| Slaughterhouses                             | B                             | * General good housekeeping standards and EMS program, product contamination, worker safety, proper emissions and discharge control, potential air, surface and groundwater contamination, processing and solid waste disposal, odours |
| **Energy Sector Support**                   |                               |                                                       |
| Credit lines to Solar Home System Providers (SHS) | B                             | * The core issue in regard to increasing the uptake of solar home systems (SHS) is the long-term implication of the increased number of battery energy storage systems (BESS). This impact requires a strategic solution through a program for battery disposal/recycling, in which SHS distributors play a |
Additional risks would include weak labor practices among the potential SMEs, such as possible use of child or forced labor, or inadequate occupational health and safety (OHS) practices.

Other project activities do not pose such or additional risks, since they relate to analytical work, technical assistance, capacity building and training.

**Monitoring and Mitigation Measures**

In order to address the aforementioned potential adverse impacts, an environmental and social screening process has been proposed under this ESMF and will be applied in such a way as to ensure that potential negative impacts of the project are prevented and/or mitigated appropriately, and positive impacts are enhanced.

SCALED-UP Project Implementation Unit (PIU) will make sure that implementation of this ESMF becomes a standard investment review procedure within potential financial intermediary. It should form part of the Participation Agreement signed between the SCALED-UP and each potential financial intermediary.

For the activities under energy sector, all products to be procured by the SMEs under the line of credit must adhere to the quality standards and testing methods developed by Lighting Africa/Global². The criteria and compliance to Lighting Africa/Global quality assurance frameworks will form the Environmental and Social requirements to be established by the Environmental and social Management consultant who will be recruited under the project.

An Environmental and Social (E&S) Management Specialist consultant will be appointed to provide environmental and social management technical advice and support to the Ministry of Finance with regard to the SCALED UP project in line with the World Banks safeguards policies. The Specialist will also provide overall environmental management oversight during the implementation of the project, supporting and advising the PIU in addressing a variety of environmental issues at all the stages of the implementation of the project and in environment related training/awareness raising and coordination activities.

The Environmental and social Management consultant will ensure beneficiary SMEs companies sell and/or install SHS as per the credit agreement and will be required to have an E&S capacity of managing key risks (labor issues, GBV, battery/waste management, and OHS issues).

The Environmental and Social (E&S) Management Specialist consultant will work with FIs to manage environmental and social aspects of the downstream projects through the onward lending to SMES by ensuring FIs approach to engaging and managing E&S aspects is commensurate to the capacity and scale of the micro-businesses/borrowers in question and the associated E&S risks.

² [https://www.lightingglobal.org/where-we-work/lighting-africa/](https://www.lightingglobal.org/where-we-work/lighting-africa/)
The project will also be monitored to ensure that it puts adequate safeguards in place to address governance issues. The project’s Task Teams will be required to consider as best practice, putting in place transparent and accessible selection criteria that will ensure that companies owned by women, youth and people with disabilities, have equal chance for consideration for accessing credit under the project.

The ESMF incorporates aspects related to solid waste from solar PV systems and a project-specific environmental code of practice (ECoP) has been developed as a guidance on approach for the collection, transport, storage and disposal of spent batteries, with the aim of ensuring that risks to the environment and human health are prevented or mitigated. Apart from providing approaches to the management of spent PV batteries, the ECOP also seeks to inform discussion and build awareness of all stakeholders, including rural community members, vendors/suppliers of products and service providers, around safe management of used batteries.

**ESMF Implementation Arrangements**

The Ministry of Finance (MOF) will be the executing agency of the proposed Project. A Steering Committee, headed by the Minister of Finance with representatives from the Ministry of Commerce and Industry; Ministry of Posts, Telecommunications and Technology; Central Bank of Somalia; Financial Reporting Centre, and; National Communications Authority, will provide policy guidance and monitor the progress through its Secretariat, represented by the Director General in the Ministry of Finance. Government can make changes in the membership of the Steering Committee or its terms of reference with prior consultations with IDA.

The PIU will include procurement, financial management impact evaluation, and safeguards specialists, who are familiar with the World Bank rules and procedures to ensure smooth implementation. The PIU will also include Project focal persons in agreed priority areas targeted by the Project with responsibilities to: (i) exchange information with other MDAs and stakeholders interested in the subject area; (ii) report periodically on matters of interest, activities and progress relevant to their priority area; (iii) monitor progress within their priority area of and to report to the PIU and other interested stakeholders.

The identification of Participating Financial Institutions (PFI) will be done by an independent and autonomous entity assigned these responsibilities. The environmental and social management consultant will sit in the identification exercises undertaken by this entity. Financial institution participation in the implementation of the MSME Fund will be based on criteria (that will require PFI to demonstrate E&S capacity) to ensure their capacity to implement as well as compliance with the World Bank Directive on Investment Policy Financing

SCALED-UP safeguards compliance activities, including safeguards monitoring and reporting would be managed by the environmental and social management specialist consultant at PIU. The consultant will be responsible for SME application screening, due diligence, and management including safeguards screening. The consultant will ensure SME compliance with Somalia Environmental laws and WBG environmental and social guidelines including the handling of complaints. The consultant to be hired will have a strong knowledge of private sector business responsibilities to comply with WBG guidelines and laws relevant to SMEs. The safeguard consultant will also have GBV specific skills to supervise issues related to GBV (e.g., supervise signing of Codes of Conduct (CoCs), verify working GRM for GBV is in place, refer cases where needed) and work with GBV Services Providers as entry points into service provision to raise awareness of the GRM. The consultant will also hold accountability for ensuring that the SCALED-UP’s SME screening and credit approval process incorporates Frameworks commensurate with the World Bank Policies. The TOR for hiring the safeguards consultants is provided in Annex E.
Public Consultations and Disclosure

The World Bank Safeguards Operational Policy /Bank Procedures OP/BP 4.01 Environmental Assessment requires public consultation with affected groups and other stakeholders about the project environmental/social impacts and take their view into account.

Public consultation and stakeholder engagement workshop was held on 21st November 2018 at the office of the Somali Federal Ministry of Finance. The workshop was attended by over 24 stakeholders including farming communities, financial institutions, relevant government ministries, VMGs, CBOs, CSGs and NGOs. The Directorate of Environment was represented and provided assurances of full support to the project. Name list, their organizations, titles and contact information are recorded in the project attendance list. Capacity and gender including the poor and most vulnerable groups issues were highlighted and suggestions provided for technical training and developmental assistance. Information provided and discussed included project objective, description, and components, potential impacts (positive and negative), and the draft ESMF Executive Summary were translated and distributed.

The overall results of the workshop suggested that most of the stakeholders fully support the project and consider that the proposed draft ESMF is appropriate. Key issues raised during consultations include coordination and supervision of environmental and safeguards implementation. Local communities expressed their willingness to participate in the dissemination of project information. Discussion with the representative of marginalized groups and women also confirmed their full support of the project. The ESMF report will be disclosed on the ministry website as well as the World Bank Info Shop.

Minutes of the consultations is provided in Annex F of this report.

Cost Implications of the ESMF

The ESMF has assessed the implementing agencies capacities and has proposed measures to enhance safeguards capacity to improve environmental and social performance during project implementation; this will include safeguards training for PIU and recruitment of an environmental and social safeguard management consultant to be based at Ministry of Finance. The budget proposed to enhance safeguard capacity is a total of USD 470,000.00

The budget will provide for recruitment of a safeguard consultant, capacity building of the PIU and PFIs related to safeguard compliance and development of ESMS, incorporate E&S requirements (clean track E&S record, applies Exclusion Criteria for SMEs, and Contractors) into application, credit agreements and conduct review of FIs, SMEs ESMSs, Monitoring & Evaluation and Implementation of ESMF.

Mitigation

Based on the environmental and social impacts from the impact checklist, the ESMP should describe technical details of each mitigation measure, together with the design, description of equipment and operating procedures as appropriate.

Monitoring

Environmental and social monitoring should take place during the implementation and operational phases of the sub-projects in order to measure the effectiveness of the mitigation measures. The ESMP should include monitoring objectives that specify the type of monitoring activities that will be linked to the mitigation measures.
**Grievance Redress Mechanism**

The PIU will establish and manage a Grievance Redress Mechanism (GRM) to enable beneficiaries to communicate their concerns regarding the Project. More specifically, the GRM will detail the procedures that communities and individuals, who believe they are adversely affected by the Project or a specific subproject, can use to submit their complaints. Further, it will also detail the procedures to be used by the PIU and their implementing partners, to systematically register, track, investigate and promptly resolve complaints.

The GRM will include an upstream communications and information campaign with back-office functions housed at ministry of finance to respond and handle complaints. The GRM will be operated by the PIU on behalf of Ministry of Finance.

The GRM is provided in section 9.
1 INTRODUCTION AND PROJECT CONTEXT

1.1 PROJECT CONTEXT

The project proposes to finance activities to expand financial and digital access over a four-year period for USD 30 million. The project will consist of three components. Component 1 aims to strengthen selected institutions through the provision of goods, consultancy services, capacity building, training and workshops for carrying out implementation activities to support stakeholders, policymakers, regulators and supervisors to: i) develop and implement effective policies and strategies, legal and regulatory frameworks; ii) strengthen regulatory reporting, compliance and transaction monitoring, and; iii) implement shared KYC/ID verification utility services, as well as fraud detection and control mechanisms. Areas covered are the following areas: i) financial institutions regulations and supervision by CBS; ii) mobile network operator licensing by NCA; iii) ML/TF financial reporting by FRC; and, iv) setting up of the digital ID administration body.

Component 2 aims to enable financial and digital services through the provision of goods, capacity building, training, workshops and consultancy services to ensure sustainability of project interventions, including: i) establishment of a line of credit for MSMEs (or MSME fund); ii) capacity building for PFIs to access the MSME fund; iii) support digital ID enrollment and financial sector use case for transaction account opening; iv) operationalization of one-stop-shop (OSS) for e-business registration, and; v) construct interoperable payments systems and government digital services.

Component 3 will support project management through provision of goods, consulting services, training and operating costs of the PIU to support Project coordination, implementation, monitoring and evaluation, and management.

1.2 PROPOSED PROJECT SCOPE

The objective of the project is to increase access to basic financial and digital services supporting entrepreneurship, jobs and livelihoods.

1.3 EXPECTED KEY RESULTS

Expected key results of the project are: i) additional number of residents accessing digital ID services; ii) additional number of MSMEs accessing e-registration services; iii) additional number of financial transaction accounts linked to digital ID and/or business registry, and; iv) number and value of loans to MSMEs.

1.4 PROJECT DESCRIPTION

The project proposes to enhance access to financial and government services by households through adoption of new systems related to: i) key government services – digital identification for individuals, e-registration of businesses, e-registration of collateral assets, collectively “Digital Government Services”, and; ii) basic financial services - transaction accounts, MSMEs finance, e-KYC processes, interoperable payment systems, collectively “Digital Financial Services”. As such, the project would provide technical assistance to strengthen key institutions, including CBS, FRC, MTPP and NCA, and the new ID authority.
to be established with the project support, in order to strengthen their institutional effectiveness, increase contestability of markets, and support reconfiguration of the financial and digital communications sector thereby improving service delivery.

1.5 PROJECT DEVELOPMENT OBJECTIVES

The Project’s development objectives are to expand access to financial and digital services and support entrepreneurship and livelihoods, particularly for women.

1.6 PROJECT BENEFICIARIES

Direct beneficiaries of the project will be the residents of Somalia, especially women and female owners of MSMEs, who will benefit from more formalization and growth in economic participation. Women and female owners of MSMEs will derive direct benefit from improved access to financial services through ownership of transaction accounts enabled by the digital ID system and the MSME Financing Facility.

Other beneficiaries of this project will be the FGS institutions that are key to delivery of targeted financial and digital services. These include the Ministry of Finance (MoF), MoCI, MPTT, CBS, FRC, NCA, a new dedicated ID administration body, and a dedicated entity to manage the MSME Financing Facility. Banks participating in the MSME Financing Facility will also directly benefit from the strengthened capacity to provide MSME financing and conduct environmental and social assessments. The project would enable delivery of support across federal member states (FMS) depending on the readiness of the states.

1.7 PROJECT COMPONENTS

1.7.1 COMPONENT 1: Strengthening Institutions (US $7.0 million equivalent)

The Project proposes to support FGS to enhance the environment for digital transactions and services. As such, the project would provide technical assistance to strengthen institutions that are key to ensuring healthy provision of targeted financial and government services i.e. CBS, FRC, MTPP/ NCA, and the new ID authority to be established with Project support. With clear policies and specific strategies, plans and roadmaps, these policymakers and regulators will help increase contestability of markets, and support reconfiguration of the financial and digital communications sector to improve service delivery, while mitigating AML/CFT risks. These institutions represent the key public-sector agencies of the financial and digital services sectors in Somalia.

(a) Subcomponent 1.1: Support to CBS (US $1.5 million equivalent)

The sub-component will provide technical and financial support to the CBS to strengthen critical systems for financial institutions regulations and supervision; and promoting efficient financial intermediation. This includes improved and timely regulatory reporting by financial institutions to ensure they are accurately reporting their financial condition and performance, combined with strengthened management information system (MIS) used by CBS for collecting, managing and analyzing data from financial institutions. To achieve these objectives, this sub-component will directly support the following activities:

- Enhancing Project implementation through the hiring of one focal person (financial sector specialist) to support implementation of Project activities located at CBS focusing mainly on
financial institutions regulations, secured transactions infrastructure, credit referencing and digital financial services (fintech);

- Strengthening policy and strategy for digital financial services and expanding financial access. The project will encourage a gender-sensitive approach to the development of strategies for delivery of targeted services and formulation of sector policies and strategies to help address the gender gaps identified. The Project will support CBS to convene a series of gender-themed workshops, targeting financial service providers, with the view of enhancing their advisory services, product range and outreach strategies for increasing their female client-base;

- Drafting regulations under a modern Financial Institutions Law, National Payments Law, Insurance Law;

- Development of regulations related to shared ICT services including e-KYC identification verification utility, fraud detection and control. The utility will integrate with the digital ID system being implemented by NADRA and enable e-KYC processes covering mobile money, banks and remittance service providers;

- Review of CBS ICT systems, to improve CBS statistical data extraction. Digitization of regulatory reporting and examinations including updating and adapting internal CBS legal/reporting frameworks to enable the implementation of dematerialized regulatory reporting;

- Preparation of detailed functional specifications for CBS ICT systems that meets the identified data and analytical requirements, and; identification, selection and procurement of a suitable software platform to meet the CBS ICT system needs;

- Harmonization of CBS/FRC/NCA of regulatory framework relating to AML/CFT requirements;

- TA for complementing existing CBS capacities and support from development partners;

- Development of costed workplans for strengthening CBS operations and provision of implementation support aimed at improved regulatory reporting;

- Capacity building, staff training, coaching and mentorship to learn about the new system, new regulations and analytical techniques; data collection tool, analysis, KYC/CDD verification procedures; certification of staff;

- Develop contract management capacity of the CBS for technology solutions;

- Setting up a small coordination secretariat under CBS on payment system interoperability and support the convenings. This will include development of TORs for the multi stakeholder committee and coordination activities, and the recruitment of additional technical expertise to help augment the capacity of the CBS to undertake planning and coordination function for digital financial services;

- Drafting of secured transaction and credit referencing law that establishes a modern legal framework enabling efficient intermediation;

- TA and capacity building for CBS, MOCI, Attorney General’s Chambers, and members of parliament or committees of parliament; facilitation of stakeholder consultation and debate on secured transactions

- E-registry for moveable assets (off the shelf software application);

- TA – local specialists for e-registry system;

- Training events/workshops for e-registry systems for moveable assets;

- Support consultation workshops for discussions on digital financial services;

- Transportation, accommodation, per diems, coordination, validation workshops, stationery, printing, dissemination and other similar costs.
(b) **Subcomponent 1.2: Support to FRC (US $1.5 million equivalent)**

The sub-component will provide technical and financial support to the FRC to strengthen its operational capability and core systems needed for effective analysis and investigation of suspected cases of money laundering or financing of terrorism (AML/CTF). This will cover improving systems used for collecting financial information related to transactions suspected of AML/CTF and implementation of an integrated technology solution for analyzing of transaction data. The support is expected to enhance investigation of cases and result in dissemination of evidence-based findings to the appropriate law enforcement agencies or regulatory bodies for prosecution. This will involve the purchase of necessary systems and equipment.

FRC is shifting focus towards improving effectiveness of implementation of laws and regulations. Following the conclusion of the NRA, which is being supported under the SCORE Program (P152241), it is expected that FRC will begin to take increasingly strong enforcement actions, supported by industry outreach, compliance to AML/CFT international standards, and their effective implementation. To achieve these objectives, this sub-component will directly support the following activities:

- Strengthen institutional capability of the FRC to perform rigorous AML/CFT risk investigations within the financial services sector and conduct AML/CTF risk analysis economy wide;
- Development of costed capacity-building program and provide implementation support covering a few key areas such as understanding AML/CFT risks, improving the legal and regulatory framework, AML/CFT supervision, financial analysis, professional skills development and qualifications, and strategic communication and stakeholder engagement;
- Hiring of one consultant with experience managing an FIU to support implementation of project activities at the FRC, focusing mainly on the FIU’s organizational development;
- Strengthening policy and strategy for AML/CTF risk management;
- Drafting regulations under a strengthened AML/CFT law;
- TA and capacity building for the FRC staff and facilitation of stakeholder consultation and debate on AML/CTF issues;
- Training events/workshops for the FRC staff including certification of staff;
- Harmonization of regulatory framework relating to AML/CFT requirements with the CBS and NCA;
- Review of FRC ICT systems. Development of costed workplans and providing implementation support for strengthening the FRC operations and implementation of improved business processes and regulatory reporting requirements;

(c) **Subcomponent 1.3 Support to MPTT/NCA (US $2.0 million equivalent)**

For the MPTT/NCA, the Project proposes to support activities that directly contribute to enhancing citizens’ access to digital services and maximizing the development impact of ICT, including improving affordability and service quality, as well as enabling efficient, secure, and reliable digital transactions and innovation.

The Project proposes to support activities would include strengthening of collaboration between NCA, CBS and FRC regarding implementation of the Communications Act on aspects related to MNO provision of mobile money services, SIM-card registration and KYC/CDD requirements for AML/CFT regulations. To achieve these objectives, this sub-component will directly support activities and convenings related to:
o Policy development an ICT sector strategy (covering e-government, backbone infrastructure, cyber security, digital skills development; promotion of connectivity within Somalia by leveraging the private sector participation (e.g. PPP, MFD);
  o Developing regulations, guidelines, and data collection and analysis tools needed to fully abide by the Communications Act;
  o Collaborating with, and abiding by, the work of the newly established NCA;
  o Procurement of regulatory equipment, additional consultancy studies, and capacity building.

(d) **Subcomponent 1.4: Support to new ID administration body (US $2.0 million equivalent)**

The project will support the creation of a robust enabling environment and institutional framework for a digital ID system, which is expected to provide at least 1 million people with a biometrically supported unique ID number and will serve as a platform for financial access, digital payments, and delivery of Government, humanitarian, and private sector services.

The project will help align the FGS efforts to establish a foundational digital ID system with the ‘Principles on Identification for Sustainable Development’\(^3\) thereby, helping mitigate risks and maximize opportunities for development. The Somali authorities are finalizing the digital ID policy framework outlining the key features (for instance, technical approach) and data protection approach. To mitigate risks associated with the slow pace of adoption of legislation, the FGS will deliver a ‘Policy Letter’ acceptable to IDA as part of appraisal setting forth Government commitments to be included in a more formal policy. The formal policy statement will be the first steps in the process of elaboration of legislation and will be a condition of Effectiveness. Proposed activities related to strengthening institutional capacity and the enabling environment for the digital ID system include the following:

  o Supporting the development of a comprehensive policy framework and implementation strategy; and, subsequently,
  o Supporting the development of a robust, inclusive, and privacy-conscious legal and regulatory frameworks for the proposed digital ID system;
  o Completion of in-depth assessment of the technical components of ID system being implemented by NADRA, support convenings between the FGS and NADRA, and provide expert support to address identified gaps or weaknesses with a view to mitigate risks, maximize opportunities for development, and foster the adoption of sound features related to system technology, operations, and maintenance;\(^4\)
  o Setting up and operationalization of a competent and trusted authority to manage and implement the proposed foundational ID system;
  o Staff training, coaching, and mentorship to learn about the new digital ID system;
  o Development of contract management capacity of ID technology solutions;
  o Setting up a small coordination secretariat for the new ID administration body and support the convenings;


\(^4\) The Somali authorities are finalizing the setting up of a TTWG to bring together the FGS, NADRA, and the World Bank to provide ongoing technical advice and review of the ID system’s technical components, which are to be implemented by NADRA. This will be a condition of effectiveness.
Hiring of consultants and additional technical expertise to help augment the FGS digital ID project management capacity to undertake planning and coordination functions as well as the development of strategies and provision of local implementation support;

- Supporting consultation workshops for discussions and developing stakeholder consensus on a variety of issues relating to digital identification; and

- Transportation, accommodation, per diems, coordination, validation workshops, stationery, printing, dissemination, and other similar costs

1.7.2 COMPONENT 2: Enabling financial and digital services (US $20.0 million equivalent)

(a) Subcomponent 2.1 Financial intermediary financing for MSMEs (US $15.0 million equivalent)

The Project proposes to establish a US $15 million revolving line of credit ("the MSME Fund" or "the Fund") and an autonomous entity to manage the flow of finance to MSMEs. The objective is to kickstart financial intermediation for underfunded MSMEs market segments to support sustainable employment and improve women economic empowerment. The Fund will use commercial terms and focus on heavily underfunded MSMEs operating in key service and productive sectors representing the core of the Somali economy. Participating banks will assume the credit risk for on-lending to MSMEs and follow their respective pricing policies for financing according to market conditions. In cases where subsidy is applied on pricing mechanisms this will be explicit and transparent so as not to distort the commercial market.

It is proposed that the management of the MSME financing facility be entrusted to an autonomous and independent entity to be set up by MoF. The entity will be managed using private sector governance principles set out in its charter. The staffing and systems of the autonomous entity will be set out in the Operating Manual. CBS will hold a special account as a designated account (DA) for the MSME Fund. CBS is already holding several DAs for IDA and SMPF financed projects and is recognized as having good practice in financial management. A subsidiary grant agreement would be signed between the Ministry of Finance (MoF) and CBS setting out the obligations of both parties and supplemented by a project agreement between IDA and CBS as well as an operations manual that would establish the operating policies and procedures of the MSME Fund. The provisional budget estimate for the autonomous entity is US $1.5-2 million during the first three years of operations. The charter, budget, staffing and systems will be confirmed at Appraisal. See Annex 4 for a complete description of the MSME financing program.

(b) Subcomponent 2.2: Digital ID Services (US $3.0 million equivalent)

The Project proposes to support the registration of at least one million people to enable greater financial access and lay the groundwork for further scale-up of the system. As of December 2018, the ID system being installed by NADRA is not yet operational. As such, project support for registration will follow the establishment of the ID agency, the drafting and adoption of a enabling legal and regulatory framework on data privacy and the subsequent training of staff on the deployed and commissioned enrolment software and hardware provided by NADRA and covered by a grant from Pakistan for provision of maintenance and supper services for one year after implementation. As the digital ID system portion of the project will use a ready-made solution from NADRA, once the legal and regulatory policy framework
is addressed, the ID system is to expected to be delivered with relative ease. The Project proposes to use Unique Identification Numbers (UINs) that are random, and unique, to create a robust “credential” that can be used in the digital world.

The Project plans to cover additional costs associated with registration, including marginalized populations. This will involve the roll-out of a resident engagement and communications campaign; operation costs related to enrollment, training, and transportation, and additional system component and operation costs beyond the first year. Prospective and existing financial service users, civil servants, and urban residents are likely to be among the first registrants for the digital ID. As the ID is used to access to a greater number of products and services, for example, to obtain a SIM card, to obtain a passport, or to receive remittances (above a certain threshold), the uptake of the system is likely to accelerate further. Special measures and registration efforts will be put in place to ensure access to the ID system for remote, marginalized, and vulnerable populations including women, children, and IDPs, and minority clans.

The project plans to drive enrollment in hard-to-reach rural and urban areas to reach the proposed target of one million. This will be achieved by leveraging banks, MNOs and other service providers as enrollment points for the database. Reaching out to the poorest and marginalized groups will require the deployment and contracting of local NGOs or entrepreneurs. The autonomous ID administration body will ensure that the eligibility criteria developed for local NGOs or entrepreneurs is respected to maintain independence from political influences in the evaluations of NGO and entrepreneur applications to act as enrollment points. Depending on the quality of operational management, local NGOs and entrepreneurs may benefit from technical assistance to improve enterprise capacity to act as effective enrollment points. The technical working group would facilitate in-depth assessments and provision of practical recommendations, including the adoption of banks, MNOs and other service providers as local enrolling firms to achieve broad-based coverage (and may consider using performance-based or output-based contracts). This will be confirmed after finalization of the technical assessment of the system being implemented by NADRA.

Strategies to increase registration among women and to prevent gender gaps may include targeted communication campaigns, female-friendly registration arrangements, and direct incentives. Resident campaigns related to the ID program/registration should contain elements specifically targeted at women to raise awareness about the importance and benefits of having a proof of identity. Local NGOs supporting women’s empowerment and/or women’s livelihoods could be leveraged to raise awareness among women about the importance of obtaining a national ID. NGOs could also become registration partners, allowing women to register through organizations they already know and trust. In addition, all female-staffed registration points and mobile units can help overcome social, cultural, or religious barriers to women’s registration and foster a more inclusive environment. Direct incentives, such as providing a cash benefit for women which is only using the digital ID credentials or partnering with private sector

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5 The Somali authorities are finalizing the setting-up of a tripartite technical working group (TTWG) to bring together FGS, NADRA and World Bank to provide ongoing technical advice and review of the to the ID system’s technical components, which are to be implemented by NADRA. This will be a condition of Effectiveness. The scope works for the TTWG will include definition of a sustainable business model covering estimated annual costs of maintenance and upgrade of the system by NADRA and production of credentials and fees for ID authentication services, amongst other costs and revenues streams and options for the ID system to avoid vendor dependence or lock-in, avoid dependence on license fees (and explore open source model) or credential expenses.

6 This will be predicated and informed by the expert assessment of the technical elements of the ID system being implemented by NADRA. Operations and maintenance costs to be confirmed at Appraisal.
partners to offer discounts to women on certain products or services upon verifying their ID credential could further boost women’s enrollment.

**Banks, MTBs, MNOs and other service providers will be among the first users of the ID system and will likely play an active role in its implementation.** The new ID credentials will enable more people to access financial services by facilitating easy compliance with KYC regulatory requirements. The introduction of a robust ID system will also support more accurate SIM-card registration and better traceability of mobile money transactions. The branch and agent network of these private sector partners may be leveraged to boost enrollment in the ID system by providing on-site opportunities for registration and, potentially, ID card issuance or pick-up services. Banks and MNOs may also act as local enrolling firms and provide co-financing for registration activities and for the ongoing maintenance of the biometric population registry given the considerable benefits they are expected to reap from a robust, digital ID system (using unique ID numbers that are random and unique). The World Bank could play a convening role to foster private sector participation and to promote alignment with FGS’s objectives, policies, and regulations on the issuance and use of the IDs.

**The project proposes to work carefully assess the quality of data captured by WFP and all other humanitarian agencies and consider the opportunity to migrate massive quantities of existing data to the system being implemented by NADRA or consider other uses cases such as application for expanding access to micro finance and social protection services.** This is with a view to deduplicate and generate millions of unique ID numbers upfront. WFP has already identified four million people and maybe if all humanitarian agencies combine their databased, there may be an opportunity to migrate massive quantities unique ID numbers by carefully reusing existing data, deduplicate and generate millions of unique IDs. The project will assess the possibility of reusing databases for verification purposes or related to deduplication or authentication. The fields to be captured will be determined by legislation (and policy) and the collaboration of all actors will be essential for the sustainability and broad coverage of the country’s population and residents.

(c) **Subcomponent 2.3 Government and Retail Payment Services (US$ 1.0 million equivalent)**

The Project proposes to finance the integration of the mobile money services into the payment switch, allowing for communication and integration between different retail payment service providers using inter-bank payment mechanisms. While some 70 percent of Somalis with a mobile phone regularly use mobile money transacting approximately US$2.7 billion per month, the service has drawbacks in terms of interoperability and interconnectivity. Currently, mobile money does not allow for bank-to-bank transfers; transfers are only operable within a single bank or MNO network. This is partially due to anti-competitive conduct, which necessitates MNOs to partner only with related banks and restrict access to own mobile money platform and interconnectivity of services. Existing World Bank programs have supported the introduction of an Automated Transfer System (ATS), national payment switch (the Switch) and piloting of mobile money bulk payments. The ATS and Switch complement each other, with the ATS facilitating urgent, large value payments as well as bulk payments using the automated clearing house (ACH) capabilities, while the Switch will facilitate interoperability of retail payment services and interchange of data and payment instruments. These developments open the opportunity to interconnect the country to international payment schemes (such as Visa and MasterCard) and international money transfer operators (MTOs) from a single payments platform. It also includes the opportunity to integrate mobile money services onto the Switch thereby defragmenting the payments landscape and constructing interoperable
retail payment services economy wide covering key use cases such as P2P, bill pay, cash-pull from bank account and cash-push to bank account.

The Project plans to cover additional costs associated with supporting CBS to spearhead efforts to introduce interoperability of retail payment services and the interconnectivity of government digital payments. The Project will shore up public and private-sector commitment to establish institutional arrangements supporting interoperable retail payment systems and support the development of a clear policies and specific strategies, plans and roadmaps for retail payment systems interoperability covering mobile money services. Interoperability of mobile money services is central in eliminating existing system’s drawbacks in terms of efficiency, competition, and innovation. Enabling interoperability fosters competition and deeper financial intermediation by incentivizing tangible value propositions to mobile money solutions and effective mobile money products in Somalia.

Cash management is a real challenge for FGS and MoF has begun looking at more efficient ways to process government payments and optimize operating costs. This includes use of some digital tools, notably digital payments, however a scale-up of these activities is merited and in so doing encourage further uptake of financial and digital services by the public in general. Together these developments will allow the CBS, and other MDAs, to facilitate direct government-to-person (G2P) and government-to-business (G2B) digital payments and vice versa. These systems will also lower transaction costs, improve transaction traceability as well as facilitate the reach and exchange of payments for purposes such as social protection programming, tax collection and inter-governmental fiscal transfers.

The Project proposes to cover costs associated with repositioning of government and humanitarian actors as central role players in fostering digital finance development in Somalia. This will be justified by the surge in demand by government and humanitarian actors for low cost interoperable retail payment services. The surge in demand will be leveraged to foster innovation, competition, collaboration needed to drive mass migration to interoperable systems while incentivizing the decommissioning of legacy fragmented retail payments services. By discontinuing fragmented legacy arrangements, Somalia could eliminate an element of unacceptable cost in the retail payments ecosystem and encourage multilateral inter-bank payment mechanisms to meet everyday payment needs of consumers and small business retailers. Access to shared infrastructure —and related business management processes — enables services providers to maximize opportunities for cost reduction and effectiveness. This is particular in the areas involving front-end customer engagement issues (e.g., customer and small business retailer onboarding; ID enrollment; KYC/CDD identification verification), payment mechanisms and risk management issues (e.g., shared multilateral clearing and settlement services; fraud management and control services; harmonized operating rules and interchange fees), and back-end customer support/protection issues (e.g., application programming interfaces (APIs); ICT/cyber security; transaction authentication, authorization, and non-repudiation).

To support these objectives, this sub-component will directly support the following activities:

- Stocktaking exercise of all retail payments by FGS and humanitarian actors by payment flow (value and number) and type of payment instrument (cash, transfer, mobile money) and apply an ecosystem approach to uncover obstacles and opportunities for lowering costs, improving convenience, reliability and security for digital payment services. By

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7 MNO/MTB charges for money transfers are typically 1.5% of transfer amount and reportedly higher for special money transfer arrangements
using rigorous assessments of existing arrangements, the Project will help encourage FGS and humanitarian actors to demand corresponding investments needed to improve retail payment policies and products;

• Hiring of one consultant with experience constructing interoperable retail payment/mobile money services;

• Development of costed workplans for constructing interoperable retail payment systems complete with requirements for strengthening operations and provision of implementation support for improving infrastructure, business processes and CBS reporting requirements;

• Preparation of detailed functional specifications for interoperable services that meets the identified use cases and payment needs for FGS, humanitarian actors, and final beneficiaries;

• Strengthening policy and strategy for retail payment systems;

• Drafting scheme regulations and rules for interoperable retail payment systems;

• TA and capacity building for MoF, CBS, NCA and FRC and facilitation of stakeholder consultation and debate on interoperability issues;

• Training events/workshops on interoperability;

• Harmonization of regulations relating to KYC/CDD ID verification requirements;

• Review of service provider ICT system;

• Setting up a small coordination secretariat under CBS on interoperability and support the convenings. This will include development of TORs for the multi stakeholder committee and coordination activities, and the recruitment of additional technical expertise to help augment the capacity of the CBS to undertake planning and coordination function for the development of the strategy and provide implementation support;

• Transportation, accommodation, per diems, coordination, validation workshops, stationery, printing, dissemination and other similar costs.

(d) **Subcomponent 2.4 e-Registration Services for SMEs (US $1.0 million equivalent)**

The Project proposes to cover costs associated with supporting MOCI facilitate unique identification of legal entities through integrated online business registration services. Building upon the launch of the online business registration system supported under the SCORE Program (P152241), the Project plans to focus on facilitating integrated online services using single interface combining business registration with tax registrations and business licenses issued by the municipalities. While the primary focus will be to help the SMEs register, proposed online system will also cater to other forms of businesses, i.e. large, domestic and FDI enterprises. The online platform will also enable secure data sharing across Federal Member States (FMS) depending based on the readiness of the States. Procedural reforms, simplified forms and documentation, consolidated fees will be important building blocks to align with Somalia’s Ease of Doing Business priorities for Starting a Business indicator. The Project will support interoperability measures including data exchange protocols and institutional coordination mechanism with digital ID system which NADRA plans to implement. Once fully implemented and sustained, the proposed system will build solid foundation for a virtual One Stop Shop (OSS) in future.

**Online features to enhance efficiency and transparency.** The proposed online system will be web-based (with options for mobile access for SMEs located outside Mogadishu) and will include a client facing portal covering online access to all relevant information, procedures, and forms for download by users. To enhance efficiency and transparency, all forms, fees and supporting documents will be made available upon necessary process re-engineering. The system will also allow for enterprises to apply for registration as well as post registration and change requests online. The proposed system will allow online submission of
applications and enable users to track their respective transactions online. Following the electronic submission, single visit by the applicant to the relevant office may be necessary for hard copy submission and manual payment. Going forward, this step could be made fully electronic through government digital payment services. The new system will also contribute to improving the database quality and make selected data publicly available as per the proposed Company Act and international good practices. In addition to general information on the sectors, activities, and contact information, the database will include: (i) gender-disaggregated data, women-owned and managed businesses; (ii) geographic location of businesses; and; (iii) information on economic sub-sectors.

**Extensive citizen engagement will be important.** Citizen engagement including stakeholder outreach and communications campaign will be carried out to enable strong uptake of online registration among the SMEs and all other forms of businesses. Hands-on training on the system targeted for internal government users and outreach to end users will be a key component to establish embedded capacity and sustain the system in the long term.

**Fiscal and operational sustainability will be critical.** To ensure operational sustainability of the OSS and provide access to applicants without internet connectivity, the Project will support the establishment of computer terminals (i.e. helpdesks) and hand-holding support to businesses at the company registration office, allowing the applicants to scan, upload, and submit documentation at the office premises. To ensure fiscal sustainability beyond the Project lifecycle, FGS will make necessary budget provision for maintenance and operations of the system through an annual maintenance contract (AMC) with the technology solution vendor covering hosting, software licenses, trouble-shooting, immediate first-line support by phone and second-line on-site support. The Project cover the costs of the initial two years of the AMC after confirmation of FGS budget provision.

1.7.3 **COMPONENT 3: Project Management (US $3.0 million equivalent)**

This component will finance support for Project implementation. It is proposed that the Project be implemented by FGS using a PIU anchored at MOF in Mogadishu with Project focal persons appointed and embedded within the PIU from key MDAs, including the Ministry of Finance; Ministry of Commerce and Industry; Ministry of Posts, Telecommunications and Technology; Central Bank of Somalia, Financial Reporting Center; and National Communications Authority.

The PIU will be headed by the Project Coordinator. The PIU will include procurement, financial management impact evaluation, and safeguards specialist (environmental and social management specialist consultant) who are familiar with the World Bank rules and procedures to ensure smooth implementation. The PIU will also include Project focal persons will be to act the focal point in agreed priority areas targeted by the Project with responsibilities to: (i) exchange information with other MDAs and stakeholders interested in the subject area; (ii) report periodically on matters of interest, activities and progress relevant to their priority area; (iii) monitor progress within their priority area of and to report to the PIU and other interested stakeholders.

The Project proposes to set up a single Project Steering Committee (PSC). The PSC will coordinate and oversee the implementation of activities, paying due attention to sequencing and timing issues as well as stakeholder consultants and engagements.

Financing to be provided for the PIU may, among others, include: equipment, consultant compensation, operating costs, organizational and systems development, training, capacity building and technical assistance. The Project proposes that the PIU hires experts/consultants on call (part time) for the targeted priority areas as needed.
2 SCOPE AND METHODOLOGY OF THE ESMF

2.1 ESMF JUSTIFICATION

The Environmental and Social Management Framework (ESMF) clarifies E&S management policies, processes, and mitigation principles, organizational arrangements and design criteria to be applied to subprojects, which are to be prepared during project implementation by PIU, MSME Fund Manager and private sector companies participating in the project.

PIU and MSME Fund Managers will use and refer to this ESMF during implementation of the Project. Where appropriate, Environmental and Social Management Plans (ESMPs) will be prepared during project implementation following guidelines in the ESMF. It remains the responsibility of the safeguards officers of PIU and MSME Fund Managers to ensure that the necessary mitigation plans are developed and adhered to by the beneficiaries.

The specific objectives of this ESMF are:

- To ensure that the implementation of the project, for which the exact locations of the subproject sites are not definitively identified at this stage, will be carried out in an environmentally and socially sustainable manner.
- To provide information about scope of adverse E&S risks and impacts expected during subproject planning, construction and operation; describe the approach to mitigation and monitoring actions to be taken; and cost implications.
- To clarify the roles and responsibilities of PIU, MSME Fund Managers and private sector companies and operators for components 1 and 2 and other stakeholders with regard to E&S due diligence, management of risks and impacts, and monitoring.
- To provide the project implementers with an E&S screening process and risk management procedures that will enable them to identify, assess and mitigate potential E&S impacts of subproject activities, including through the preparation of a site-specific Environmental and Social Impact Assessments (ESIA) and/or Environmental and Social Management Plans (ESMP) where applicable.

2.2 ESMF PRINCIPLE

This ESMF will guide the PIU in implementing the Project in line with World Bank and Somalia Government environmental and social management precepts. The ESMF will also guide the selection of the safeguard consultant.

2.3 METHODOLOGY

The ESMF was prepared through literature review and stakeholder discussions. The consultant undertook a review of the Project Appraisal Document and Integrated safeguard datasheet (ISDS) for the SCALE-UP, as well as a review and analysis of relevant national legislation, policies, and guidelines, including the World Bank Operational and Safeguards Policies related to this Project.

Public consultation and stakeholder engagement workshop was held on 21st November 2018 at the office of the Somali Federal Ministry of Finance. The workshop was attended by over 24 stakeholders including farming communities, financial institutions, relevant government ministries, VMGs, CBOs, CSGs and NGOs.

Minutes of the consultations is provided in Annex F of this report. The main points outlined in the consultative meetings with key stakeholders are in chapter 5 and documentation in Annex F.
3 Policy, Legislative, and Institutional Frameworks

3.1 Somali National Laws and Legislations

In all Somali territories policy and legislation with respect to the environment is evolving, in terms of assessing the potential impact of such policies on the environment, or how they could contribute to environmental conservation and sustainable livelihood improvement.

Constitution of the Republic of Somalia. The key legal instrument for management of environmental affairs in Somalia is the Constitution, especially Article 25 (“Environment”), Article 43 (“Land”), Article 44 (“Natural Resources”) and Article 45 (“Environment”). Article 25 of the Constitution states that “[every Somali] has the right to an environment that is not harmful to their health and well-being, and to be protected from pollution and harmful materials.” The article proceeds to declare that “[every Somali] has the right to have a share of the natural resources of the country, whilst being protected from excessive and damaging exploitation of these natural resources.”

Article 45 (in Chapter 3 – Land, Property and Environment) exhorts “all people in … Somalia” to “participate in the development, execution, management, conservation and protection of the natural resources and environment.” Article 43, on its part, provides guidelines on environmental and social safeguards that can be observed. However, there are no standing environmental and/or social safeguards in terms of legislated and or drafted regulations. The Article also affirms that the federal government shall give priority to the protection, conservation, and preservation of the environment against anything that may cause harm to natural biodiversity and the ecosystem.

With regards to management of the environment, the Constitution calls upon the FGS and the FMS’s governments to “take necessary measures to reverse desertification, deforestation and environmental degradation, and to conserve the environment and prevent activities that damage the natural resources and the environment of the nation.” To give effect to these broad principles, the FGS shall “in consultation with the Federal Member States … adopt general environmental policies for the Federal Republic of Somalia.”

The Federal Government has introduced changes in the institutional set-up dealing with environment and a directorate of Environment has been formed within the Office of the Prime Minister. The Directorate of Environment (DE) is mandated to draft the National Environmental Policies and legislations including establishing of the Environmental Quality Standards, Sectoral Environmental Assessments (SEAs), Environment Impact Assessments (EIAs) and environmental Audits among other items. However necessary laws or legislations have not been formulated and no commissions or authorities have been established.

3.2 Somaliland Laws and Legislations

The Somaliland Constitution. The Somaliland constitution, which provides the key legal framework for management of environmental affairs in the territory, was effected in the year 2001. Article 18 of the constitution, which focuses on the environment and the care of the natural resources, avers that the state shall give a special priority to the protection and safeguarding of the environment, which is deemed as being “essential for the well-being of the society”. It therefore follows that development projects have to comply with the constitutional provision that obliges developers to ensure a clean and healthy environment.

Article 12 of the Constitution focuses on public assets, natural resources and indigenous production. The Article states that the central state (government) is responsible for the natural resources of the country, and shall take all possible steps to explore and exploit all these resources which are available in the nation’s
land or sea. The protection and the best means of the exploitation of these natural resources shall be determined by law.

**Somaliland National Environment Policy.** The National Environment Policy (NEP) of Somaliland provides a framework for the sustainable management of the territory’s environment and natural resources. The policy seeks to ensure that the territory’s natural resource assets retain their integrity to support the needs of the current and future generations. This policy, developed in 2015 by the Ministry of Environment and Rural Development, addresses the nexus between poverty alleviation, food security and national development objectives. The policy emphasises on the need to establish new prospects for the improvement to the standard of living, which enable people to become self-sufficient and realize their own potential without damaging the environment.

The policy seeks to catalyse the implementation of sustainable environmental, social and economic development initiatives for equitable benefits sharing. The policy advocates for community participation, information dissemination, environmental education and awareness raising and gender equality in order to fully harness the Somaliland’s “latent capacity” in this regard.

The guiding principles of the NEP state that “EIAs [are] necessary to ensure that public and private sector development options are environmentally sound and sustainable and that any environmental consequences are recognized early and taken into account in project design, and implementation.” Small scale project activates proposed in SCALED UP may not be expected to incorporate EIA as an essential tool in aid of development programs and projects.

### 3.3 Puntland Laws, Legislations and Institutions

The legislative and policy environment in Puntland is still adjudged as weak, although there has been much greater progress here as compared to Somalia. Puntland’s Constitution envisages, in Article 96, the importance and protection of the environment. Among the key features include combating deforestation, soil erosion and pollution. The Constitution forbids exportation of charcoal trading in endangered plant and animal species. Prohibition has been placed too on creating of unsustainable urban-like sprawls in rural settings.

The National Environmental Policy (2015) provides the overall guiding policies relating to the management of the environment and natural resources. This policy allows a rationalisation of administrative regulations and policies to eliminate deficiencies or inconsistencies with other previous policies. The policy promotes the use of appropriate environmental assessment instruments such as the EIA and Strategic Environmental Assessment.

In Puntland, the ministry dealing with environmental matters is the Ministry for Environment and Climate Change (MoECC). This ministry collaborates with the Humanitarian Affairs and Disaster Management Agency (HADMA) in the development of climate change, early warning and drought resilience strategies.

The MoECC has responsibility for climate change mitigation and adaptation strategies, supported by a five-year plan (2017-2021). The existing laws and regulations include the following:

- Environmental Policy (2014) approved by the Cabinet and Parliament;

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8 Formerly known as the Ministry of Environment, Wildlife and Tourism (MoEWT)
• Environmental Management Act (2016) approved by the Cabinet;
• Puntland Rangeland Management Policy 2nd Edition (2016-2025);
• Puntland Waste Management Policy (2016);
• EIA Act and Regulation (2016) approved by Cabinet and Parliament;
• Puntland Climate Change Strategy (2016); and
• Ministry of Environment and Climate Change Strategic Plan (2016-2020).

3.4 ENVIRONMENTAL LICENSING IN SOMALILAND AND PUNTLAND

The environmental licensing process in Somaliland and Puntland are relatively straightforward. Ministries control the licensing procedures.

• The Ministry of Environment and Rural Development (Somaliland) and the Ministry of Environment and Climate Change (Puntland) have the powers to grant any of the licenses sought.
  o Every license shall be subject to such conditions as may be specified therein during the issuance stage.
• The minister (or any person authorized by him or her) may at any time cancel or suspend any license granted by or on behalf of the minister:
  o Grounds for cancellation include suspicions of infringement of any of the conditions upon which said license has been granted
• The minister may, at any time, also vary the conditions of any such license.
• Any person aggrieved by any order under this clause may appeal to the minister (in either Somaliland or Puntland, depending on the jurisdiction), whose decision shall be final.

3.5 ENVIRONMENTAL LAWS AND LEGISLATIONS AND INSTITUTIONS IN OTHER FEDERAL MEMBER STATES OF SOMALIA

Laws governing environmental aspects in SWS, Galmadug, Hirshabele and Jubballand are either absent or at infancy stages and environmental impact assessment capacity is very nascent. The World Bank is planning to do a capacity assessment study in these states on the existing environmental and natural resource policy, institutional and legislative frameworks to see how best to build capacity.

3.6 GAP ANALYSIS

The activities in the SCALED-UP project need to comply with both Somali laws and regulations and World Bank safeguards policies. This sub-section compares the national public sector environmental management rules, regulations and standards to World Bank Group standards. The main objective of this assessment is to help implement this ESMF more effectively at the Federal and State levels in Somalia through an understanding of existing gaps.

Table 1 below summarizes a comparison focusing on the World Bank policies relevant to the project and gaps identified in existing Somali laws and regulations.

Table 2: GAP analysis for WB and GOS Polices relevant to this ESMF
<table>
<thead>
<tr>
<th>Scope</th>
<th>Bank policy</th>
<th>Government of Somalia policy, regulation</th>
<th>Gaps identified</th>
<th>Gap-filling measures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OP/BP 4.01 (Environmental Assessment)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EIA instruments</td>
<td>Range of instruments to satisfy WBG include EIAs, regional or sectoral EAs, EMP, etc.</td>
<td>Instruments for environmental assessment have not been delineated at Federal level, and are absent in other federal member states</td>
<td>EIAs not incorporated into Federal laws, and are weakly captured at State levels in only Puntland and Somaliland</td>
<td>ESMF to be guided by the Bank’s procedures</td>
</tr>
<tr>
<td>Environmental impact screening</td>
<td>Screening procedures developed for projects involving sub-projects.</td>
<td>Screening procedures are absent in other States</td>
<td></td>
<td>ESMF to be guided by the Bank’s procedures</td>
</tr>
<tr>
<td>Public consultations</td>
<td>For Category B project, Bank requires the Borrower to initiate project-affected persons/groups</td>
<td>Procedures for public consultations not explicitly stated</td>
<td></td>
<td>ESMF to be guided by the Bank’s procedures</td>
</tr>
<tr>
<td>Monitoring of environmental data</td>
<td>Bank requires regular monitoring of environmental data to evaluate the success of mitigation and to foster corrective measures at the earliest possible juncture</td>
<td>There are no procedures provided in regulations in the country on the conduct of monitoring activities in the collection of environmental data</td>
<td></td>
<td>ESMF to be guided by the Bank’s procedures</td>
</tr>
<tr>
<td>Institutional arrangement</td>
<td>Requirement by the Bank for specific description of institutional arrangement and implementation schedule for monitoring and mitigation measures</td>
<td>Directorate of the Environment in the Office of the Prime Minister may be responsible for coordinating institutional responses under this ESMF, but the institutional information is not available and its remit is unknown,</td>
<td></td>
<td>Respective PIUs to work with the respective ministries and agencies responsible for management of environmental matters as the focal points for administration of this ESMF</td>
</tr>
</tbody>
</table>
3.7 **World Bank Safeguard Operational Policies**

For the project implementation the E&S management will fully rely on the WBG’s environmental and social standards, as laid out in the World Bank’s safeguards policies and environment, health and safety guidelines (EHSG).

Relative to World Bank Environmental Safeguards, under Operational Policy (OP/BP) 4.01 the Bank undertakes environmental screening and proposed projects are classified into one of four categories, depending on the type, location, sensitivity, and scale of the project and the nature and magnitude of its potential environmental impacts:

- **Category A** projects are likely to have significant adverse environmental impacts that are sensitive, diverse, or unprecedented. These impacts may affect an area broader than the sites or facilities subject to physical works.
- **Category B** projects may have potential adverse environmental impacts on human populations or environmentally important areas but are less significant than those of Category A projects. These impacts are site specific; few if any of them are irreversible; and in most cases mitigation measures can be designed readily with standard methods.
- **Category C** projects are likely to have minimal or no adverse environmental impacts, and there are no further environmental requirements.
- **Category FI** projects involve investment of Bank funds through a financial intermediary, in subprojects that may result in adverse environmental impacts.

The World Bank Group has screened the proposed project components and has determined that this project is categorized as a FI – Financial Intermediary according to OP4.01. Each Potential financial intermediary will be required to undertake an Environmental and Social Screening process which allows SCALED-UP activities to be classified according to their potential impacts and appropriate mitigation/rehabilitation measures required, according to the Somalia Environmental Law and the World Bank’s Operational Policy 4.01 on Environmental Assessment.

Under the Project, Environmental Assessment Operational Policy (OP/BP 4.01) policy is triggered.

**Table 3: Environmental Assessment Operational Policy (OP/BP 4.01)**

<table>
<thead>
<tr>
<th>Safeguard Policies</th>
<th>Triggered</th>
<th>Description and applicability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Assessment (OP/BP 4.01)</td>
<td>Yes</td>
<td>The principal objective of OP/BP 4.01 is to ensure that World Bank financed projects are environmentally sound and sustainable. The policy is triggered if a project is likely to have potential (adverse) environmental risks and impacts in its area of influence. OP/BP 4.01 covers impacts on the natural environment, human health and safety, and trans-boundary and global environment.</td>
</tr>
</tbody>
</table>
In accordance with OP/BP4.01, this ESMF sets out the principles, rules, guidelines and procedures to assess the environmental and social impacts. It contains measures and plans to reduce, mitigate and/or offset adverse impacts and enhance positive impacts, provisions for estimating and budgeting the costs of such measures, and information on the agency or agencies responsible for addressing project impacts.

3.8 **WORLD BANK GROUP EHS GUIDELINES**

WBG has guidelines for Environment, Health and Safety (EHS) that serve as useful references for general issues as well as sector-specific activities. Projects financed by the World Bank Group are expected to comply with this guideline as required by the policies and the standards. The EHS guidelines are mainly on occupational health and safety, community health and safety as well as on construction and decommissioning. It contains guidelines cross cutting on environmental (waste management, ambient air quality, noise and water pollution), occupational health and safety issues among others, applicable to all the industry sectors.
4 INSTITUTIONS, ROLES AND RESPONSIBILITIES

The Ministry of Finance (MOF) will be the executing agency of the proposed Project. A Steering Committee, headed by the Minister of Finance with representatives from the Ministry of Commerce and Industry; Ministry of Posts, Telecommunications and Technology; Central Bank of Somalia; Financial Reporting Center, and; National Communications Authority, will provide policy guidance and monitor the progress through its Secretariat, represented by the Director General in the Ministry of Finance. Government can make changes in the membership of the Steering Committee or its terms of reference with prior consultations with IDA.

The PIU will include procurement, financial management impact evaluation, and safeguards specialists (environmental and social management specialist), who are familiar with the World Bank rules and procedures to ensure smooth implementation. The PIU will also include Project focal persons will be to act the focal point in agreed priority areas targeted by the Project with responsibilities to: (i) exchange information with other MDAs and stakeholders interested in the subject area; (ii) report periodically on matters of interest, activities and progress relevant to their priority area; (iii) monitor progress within their priority area of and to report to the PIU and other interested stakeholders.

The identification of Participating Financial Institutions (PFI) will be done by an independent and autonomous entity assigned these responsibilities. The environmental and social management consultant will sit in the identification exercises undertaken by this entity. Financial institution participation in the implementation of the MSME Fund will be based on criteria (that will require PFI to demonstrate E&S capacity) to ensure their capacity to implement as well as compliance with the World Bank Directive on Investment Policy Financing.

SCALED-UP safeguards compliance activities, including safeguards monitoring and reporting would be managed by the environmental and social management specialist consultant at PIU. The consultant will be responsible for SME application screening, due diligence, and management including safeguards screening. The consultant will ensure SME compliance with Somalia Environmental laws and WBG environmental and social guidelines including the handling of complaints. The consultant to be hired will have a strong knowledge of private sector business responsibilities to comply with WBG guidelines and laws relevant to SMEs. The safeguard consultant will also have GBV specific skills to supervise issues related to GBV (e.g., supervise signing of Codes of Conduct (CoCs), verify working GRM for GBV is in place, refer cases where needed) and work with GBV Services Providers as entry points into service provision to raise awareness of the GRM The consultant will also hold accountability for ensuring that the SCALED-UP’s SME screening and credit approval process incorporates Frameworks commensurate with the World Bank Policies. The TOR for hiring the safeguards consultants is provided in Annex E.

4.1 ROLE OF ENVIRONMENTAL AND SOCIAL MANAGEMENT CONSULTANT AT PIU

An independent consultant will be hired by the PIU to manage the safeguard aspects of SCALED-UP. The TOR for hiring the consultant is provided in annex E. The consultant will manage safeguard aspects of the project in accordance with this ESMF, World Bank Safeguard Policies the National policy, legal and regulatory frameworks. Consequently, it he/she will be responsible for: (i) ensuring that all activities
(including procurement related activities) that have the potential to have E&S risks are managed according to relevant laws, the World Bank Safeguard Policies and the ESMF. In case of procurement related activities, the consultant will ensure that other implementing agents develop TORs that adequately reflect the need for E&S risks management and these risks are appropriately managed during implementation of the consultancies; (ii) be the accountable personnel for implementing the ESMF supported by qualified E&S expertise in PFI throughout the duration of the project (ii) ensuring that contracts with PFIs include clear covenants on the E&S risks management. PFIs will be required to ensure they mainstream those requirements in their engagement and agreements with MSMEs. The consultant will provide support to PFIs (as needed) on the implementation of E&S issues as stipulated in the ESMF; (iii) in the case of refinancing, the consultant will assess to ensure that the refinanced portfolios meet E&S requirements prior to approving loans to PFIs; and (iv) monitor loan portfolios ex-poste to ensure that PFIs portfolios are in compliance with E&S requirements. The consultant will be responsible for monitoring to ensure that PFIs are implementing E&S issues effectively as stipulated in the ESMF. The consultant will conduct evaluation on the implementation of E&S issues after every two years.

4.2 ROLE OF PFIS

The responsibility of the PFIs will be to ensure that: (i) projects for requested loans have been properly screened; (ii) the required environmental documents have been obtained by the borrower prior to issuing a loan; (iii) the borrower is compliant after issuing the loan. The PFIs will be responsible for identifying and managing safeguards risks in line with the requirements of this ESMF. PFIs will also use WB E&S screening criteria, which will be included in the agreements between CBS and the PFIs. PFI’s are required to appoint a designated staff member who is accountable for implementing the PFI E&S requirements (although responsibilities may be assigned to a qualified, external consultant).

PFIs will train MSMEs on E&S risks and management practices and ensure closely following up compliance with E&S requirements during the duration of the loan. PFIs will also be responsible for preparing reports on the implementation of E&S and submit to the consultant on semiannual basis.

4.3 ROLE OF MSMEs

The borrowing MSMEs have the responsibility of making sure they comply with the environmental laws and in getting the right permits in advance of banks issuing the loans.

4.4 ROLE OF THE WORLD BANK

World Bank will lay the benchmarks for all environmental and social safeguard issues concerned with the development and implementation of SCALED-UP. It will provide overall supervision, facilitation and co-ordination of SCALED-UP. It will also monitor funds and funds allocations; and project performance indicators. The World Bank will assess the implementation of the ESMF and recommend additional measures for strengthening the management framework and implementation performance, where need be. The reporting framework, screening procedures and preparation of management and mitigation plans shall be discussed and agreed by the Bank team and PIU during the early part of project investment identification stage before disbursement.

4.5 GENDER CONSIDERATION WITHIN THE PROJECT

Financial viability will be the key selection criteria for MSME sub loans. However, the participation agreements with PFIs on the MSME Fund will include a clause requiring PFIs not to discriminate against gender, physical ability, language, place of residency, etc. Furthermore, since women in Somalia are
disproportionally disadvantaged when it comes to financial services, the Project will have a focus of increasing opportunities for women to access finance. This in turn is expected to result in increased availability of financial services, greater income opportunity, improved financial literacy and inclusive growth.

Furthermore, the awareness campaign by the PIU regarding the MSME Fund will specify that PFIs cannot discriminate based on gender, disability, race, etc. PFIs under the MSME Fund will be required to track lending to women owned enterprises and women employees in the enterprises.
5 PROJECT BIOPHYSICAL AND SOCIOECONOMIC SETTING

5.1 CLIMATE

The Somali climate is hot, arid to semi-arid. There are two wet seasons (Gu April to June, and Deyr October to November) with approximately 500 mm rainfall annually in the northern highlands, 50-150mm along coast, and 300-500 mm in the southwest. With the impact of climate change extreme weather patterns such as droughts and floods (see also natural disasters) are likely to increase in frequency and magnitude.

5.2 ENERGY RESOURCES

Somalia is rich in energy resources, having unexploited reserves of oil and natural gas, untapped hydropower, extensive geothermal energy resources, many promising wind sites, and abundant sunshine, which can produce solar power. The major obstacles to development of these potentially available energy resources are political, financial and institutional. Traditional biomass fuels such as firewood and charcoal, primarily used in rural and poor communities, account for 82% of the country’s total energy consumption.

5.3 ENERGY ACCESS

The electricity access rate is estimated at 15 percent, meaning that around 11 million Somalis lack access to electricity services. Access depends significantly on demographic variables, with urban access estimated at 33 percent, and rural access at 4 percent. With an average household size of 5.9, this translates to approximately 1.7 million un-electrified households nationwide. Private sector players supply more than 90 percent of power in urban and peri-urban areas using local private mini-grids, having invested in diesel-based systems of between 500 kVA to 5000 kVA installed capacity per mini-grid. These mini-grids are usually zoned, with each operator building, owning, and operating the generation, transmission, distribution and maintenance, as well as collecting tariffs. Thus, more than 68 percent of urban/peri urban households receive electricity service, though at a high cost that might reach a maximum of $1/kWh, making Somalia one of the costliest places in the world to buy power. The latest ESMAP Regulatory Indicators for Sustainable Energy (RISE) report found that Somalia ranks in the upper 5% globally for power cost, and in the upper 15% globally for power expenditure as a share of GNI per household. As a result, access levels remain low despite many households living near mini-grid power lines.

5.4 GEOGRAPHY, LANDMASS AND POPULATION.

With a landmass of about 627,340 km², population numbers are difficult to come by in Somalia. Estimates show that the population to be 15,294,159 of which 4,968,526 people were estimated to be living in urban centres in 2018. This accounts for a relatively highly urbanised society (standing at ~33 percent). The population density in Somalia is estimated at 24 persons per km², one of the lowest in East Africa. The median age in Somalia is estimated to be 16.6 years. The population’s livelihoods are connected to either livestock husbandry, smallholder dryland agriculture, itinerant commerce or remittances from diaspora.

9 These estimates are based on information from http://www.worldometers.info/world-population/somalia-population/
Somalia is reportedly the world’s fourth-most remittance dependent country, which makes up about 20-50 percent of local economy\(^{10}\).

The United Nations Population Fund (formerly the United Nations Fund for Population Activities) estimated that in 2014\(^ {11} \) the total population of Somalia was 11,800,833, which was broken down to 1,830,073 for Puntland, 508,180 for Somaliland and 6,462,580 for the rest of Somalia.

### 5.5 Poverty in Somalia

The United Nations classifies Somalia as a least developed country. The socio-economic situation of the country is described as “very poor” in the National Development Plan (2017-2019)\(^ {12} \), with approximately 69 percent of Somalis reportedly living below the poverty line. Poverty cuts across sectors, location, group and gender, and its forms and causes vary. An understanding of Somalia’s geography, recent trends in its economy and consequences of the civil strife is important to determining the nature and extent of its poverty. There is more stability in the northern regions (Somaliland and Puntland), and consequently less poverty. Poverty in Somalia is more pronounced in the IDP camps, where it is estimated to be 88 percent, followed by rural areas with 75 percent and urban areas with 67 percent.

### 5.6 Agriculture, Livestock and Livelihoods.

Only about 10 percent of Somalia’s land can be described as arable and suitable for crop production. Somalia’s agricultural sector, which accounts for 65 percent of the GDP and employs 45 percent of the active workforce (Somalia Agriculture Report, 2018), relies on the state of health of the country’s natural capital (vegetation and water resources). It is worth noting that the livestock sub-sector alone accounts for between 80 to 90 percent of agricultural GDP. It thus contributes about US$2.4 billion (or about 40 percent of total GDP) and more than 90 percent of export earnings (\textit{ibid}) and grows 6 percent annually.

According to the Somalia Agriculture Report (2018), total agricultural exports have climbed every year since the late 2000s, to a peak in 2015 of $634 million, more than five times the value before the civil war. The Somalia Supply and Market Outlook Assessment report by FEWSN (2017) identifies the country’s four main staple foods are maize, sorghum, rice, and wheat. While maize and sorghum are grown locally, rice and wheat are almost entirely imported.

### 5.7 The Importance of Livestock Sector in Somalia.

The livestock sub-sector remains, and is likely to remain for much longer, the principal backbone of the economy. There are about 40 million livestock in Somalia (FAO, 2015), with 68 percent of these animals being the small stock (goats and sheep); exports of these livestock have kept the Somali economy afloat. In 2015, for instance, Somalia exported 5.3 million live animals to the Gulf Cooperation Countries (GCC),


\(^{11}\) UNFPA Population Estimates Survey of Somalia 2014

\(^{12}\) See [http://extwprlegs1.fao.org/docs/pdf/som169866.pdf](http://extwprlegs1.fao.org/docs/pdf/som169866.pdf) for a copy of the Plan
with the main destination being Saudi Arabia, in the process earning Somali businessmen and pastoralists US$384 million (FAO, 2016; Quartz, 2017; World Bank, 2018): this was reportedly the highest number of animals exported till then.

However, the 2017 drought in the country seems to have had a devastating effect on the livestock sub-sector: the volume of live animal exports declined by 75 percent, from 5.3 million animals in 2015 to 1.3 million in 2017 (World Bank, 2018). There is therefore urgent need to work towards ensuring better prospects for the livestock sub-sector by improving the availability of water and fodder.

5.8 GENDER

UNDP Somalia reports that Somalia has one of the highest gender inequality in the world, at 0.776, which ranks fourth in the world. The country has an extremely high maternal mortality, rape, female genital mutilation and child marriage rates, and violence against women and girls is common. The participation and roles of women in politics and decision-making is minimal, which perpetuates limited female roles and inequality. While in Somaliland and Puntland women’s rights are ostensibly protected in their respective constitutions, however implementation of these provisions is lagging behind.

Women make up 57 percent of the workforce in agriculture and pastoralism (both of which constitute nearly 70 percent of the local economy). The number of women working in government departments and agencies in Somalia is estimated at just 19 percent of the workforce. The situation is also dire in the education sector, where only 36 percent of pupils in the upper primary education are girls. Gender disparity is higher in upper grades due to economic constraints and early marriage.

In Somalia, the women are significantly involved in trading and commerce, from micro-enterprises to large-scale businesses. While the women butcher and sell small ruminants (goat and sheep), they however make up most of the fruits and vegetables vendors. The women are also engaged in the sale of local imported goods (e.g., rice, sugar, wheat, sorghum, etc.).

6 KEY RISKS AND IMPACT MITIGATION MEASURES

6.1 INTRODUCTION

This ESMF considers that due mitigation process starting with subproject screening will be adopted and an environmental and social management plan (ESMP) for each subproject will be formulated.

Overall SCALED-UP is likely to have positive impacts on the environment as well as positive socio-economic impact on the beneficiaries through improved livelihoods. However, implementation of SCALED-UP sub-projects will likely cause some negative impacts. The activities envisaged under subprojects cumulatively may have negative impacts if not well mitigated see table below.

Table 4: Potential Significant environmental and Social Concerns

<table>
<thead>
<tr>
<th>Type of matching credit Facility sub project</th>
<th>Likely Environmental Category</th>
<th>Potential Significant environmental and Social Concerns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Livestock Sector Support</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large scale livestock production (e.g. &gt; 500 heads of livestock)</td>
<td>A/B</td>
<td>• Direct discharge or run-off of inadequately treated wastewater may cause contamination and eutrophication decline of aquatic resources</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Proper siting of animal sheds/pens regarding drinking water supply, homestead heath issues related to animals</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Carrying capacity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Resilience of the area</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Risk of livestock falling in a dug soil and water conservation structure</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Inequality issues on resource accessibility and use;</td>
</tr>
<tr>
<td>Medium scale livestock production</td>
<td>A/B</td>
<td>• Disposal or use of untreated wastewater for irrigation can affect soil quality and create water pollution.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Potential health issues associated with common animal diseases like foot and mouth etc.</td>
</tr>
<tr>
<td>Small scale animal husbandry</td>
<td>B/C</td>
<td>• Proper siting of animal sheds/pens regarding drinking water supply, homestead heath issues related to animals</td>
</tr>
<tr>
<td>Slaughterhouses</td>
<td>B</td>
<td>• General good housekeeping standards and EMS program, product contamination, worker safety, proper emissions and discharge control, potential air, surface and groundwater contamination, processing and solid waste disposal, odours</td>
</tr>
</tbody>
</table>

Energy Sector Support
Credit lines to Solar Home System Providers (SHS)

- The core issue in regard to increasing the uptake of solar home systems (SHS) is the long-term implication of the increased number of battery energy storage systems (BESS). This impact requires a strategic solution through a program for battery disposal/recycling, in which SHS distributors play a role. The entire management process including manufacturing, collection, storage, recycling, transport and disposal may present a challenge.

Given the fragile context of the country, the low capacity of the Borrower particularly on safeguards, and the potential social risks that might result from weak labor practices (child and forced labor) and OHS risks; the overall E & S risk for the project is rated substantial.

Other project activities do not pose such or additional risks, since they relate to analytical work, technical assistance, capacity building and training.

**Monitoring and Mitigation Measures**

In order to address the aforementioned potential adverse impacts, an environmental and social screening process has been proposed under this ESMF and will be applied in such a way as to ensure that potential negative impacts of the project are prevented and/or mitigated appropriately, and positive impacts are enhanced.

SCALED-UP Project Implementation Unit (PIU) will make sure that implementation of this ESMF becomes a standard investment review procedure within potential financial intermediary. It should form part of the Participation Agreement signed between the SCALED-UP and each potential financial intermediary.

For the activities under energy sector all products to be procured by the SMEs under the credit must adhere to the quality standards and testing methods developed by Lighting Africa/Global. The criteria and compliance to Lighting Africa/Global quality assurance frameworks will form the E&S requirements to be established by the Environmental and social Management consultant who will be recruited under the project.

The Environmental and social Management consultant will ensure beneficiary SMEs companies sell and/or install SHS as per the credit agreement and will be required to have an E&S capacity of managing key risks (labor issues, battery/waste management, and OHS issues).

The project will also be monitored to ensure that it puts adequate safeguards in place to address governance issues. The project’s Task Teams will be required to consider as best practice, putting in place transparent and accessible selection criteria that will ensure that companies owned by women, youth and people with disabilities, have equal chance for consideration for accessing credit under the project.

The ESMF incorporates aspects related to solid waste from solar PV systems and a project-specific environmental code of practice (ECoP) has been developed as a guidance on approach for the collection,

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14 [https://www.lightingglobal.org/where-we-work/lighting-africa/](https://www.lightingglobal.org/where-we-work/lighting-africa/)
transport, storage and disposal of spent batteries, with the aim of ensuring that risks to the environment and human health are prevented or mitigated. Apart from providing approaches to the management of spent PV batteries, the ECOP also seeks to inform discussion and build awareness of all stakeholders, including rural community members, vendors/suppliers of products and service providers, around safe management of used batteries.

Table 5 summarizes potential negative E&S impacts for SCALED-UP.

**Table 5: Potential E&S risks and impacts**

<table>
<thead>
<tr>
<th>Environmental Medium</th>
<th>Receptor/Comment</th>
<th>Impact Indicators</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Battery disposal</td>
<td>End of life battery disposal remains the major risk</td>
<td>OHS impacts on workers handling battery recycling, uncertified facilities, inadequate waste disposal practices</td>
<td>High</td>
</tr>
<tr>
<td>Demography</td>
<td>Demography of community in the Project's AoI</td>
<td>Changes in demography, gender ratio, age distribution, socio-economic structure, etc. of the local community</td>
<td>Low</td>
</tr>
<tr>
<td>Utilities</td>
<td>The existing utilities (e.g. power supply.) in the Project's AoI</td>
<td>Changes in existing utilities</td>
<td>Moderate</td>
</tr>
<tr>
<td>Employment/income</td>
<td>The employment situation in the Project's AoI</td>
<td>Opportunities for local employment; changes in income level</td>
<td>Moderate</td>
</tr>
<tr>
<td>General public/ project communities</td>
<td>Labor influx and GBV</td>
<td>Increase in the demand for basic services due to temporary influx of workers. Increased crime (including prostitution, theft and substance abuse) to increase in proposed sub project areas as influx of people increases. Increased risk of communicable diseases (including STI/HIV/AIDs)</td>
<td>Low</td>
</tr>
<tr>
<td>Environmental Receptor/Medium</td>
<td>Comment</td>
<td>Impact Indicators</td>
<td>Impact</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>---------</td>
<td>------------------</td>
<td>--------</td>
</tr>
<tr>
<td>Construction workers</td>
<td>Health and safety of SHS Provider employees.</td>
<td>Accident, injury, fatality, exposure to nuisance (dust, noise), fire, etc.</td>
<td>Low</td>
</tr>
<tr>
<td>Workplace health and safety</td>
<td>Health and safety of employees involved in SHS installation.</td>
<td>Accident, injury, fire, explosion, etc.</td>
<td>Low</td>
</tr>
<tr>
<td>General public / communities</td>
<td>Health and safety of the general public</td>
<td>Accident, fire, explosion</td>
<td>Low</td>
</tr>
</tbody>
</table>
7 ENVIRONMENTAL AND SOCIAL SCREENING PROCESS OF TRANSACTIONS/SUBPROJECTS

7.1 LOAN APPLICATION

The transaction must satisfy national, and World Bank environmental and social requirements as well as this ESMF. The SME applicant for a loan will present to PFIs a brief description of the transaction and what the applicant considers are likely to be environmental or social risks and issues of concern with respect to the transaction. This information will be used by PFIs in the initial screening and categorization process.

7.2 SCREENING AND CATEGORIZATION OF ENVIRONMENTAL AND SOCIAL RISK

The PFI will categorize the environmental and social risk of each proposed transaction (i.e., the activity which is the subject of the loan application) in accordance with the ESMF. The choice of categorization will have the following implications (see more details in Section 2.4):

- **Category A transactions**: These are transactions that are likely to have significant adverse environmental and social impacts that are sensitive, diverse or unprecedented, or transactions whose impacts affect an area broader than the sites or facilities subject to physical works. Category A transactions will not be eligible under this project.

- **Category B transaction**: These transactions may have environmental or social risks that are less adverse and more limited, their impacts are site-specific and largely reversible, which could be readily identified and reliably mitigated through recognized good practices including those described in World Bank Group Environmental, Health and Safety Guidelines (EHSGs). PFIs will verify that: (1) supported activities comply with applicable national environmental and social laws and regulations, and applicable World Bank safeguard policies; (2) appropriate approvals from PIU is obtained prior to lending; and (3) investments do not contravene the List of Ineligible Activities presented in Section 7.3 of this framework. Section 7.5.1 provides the characteristics of transactions that typically trigger Category B categorization.

- **Category C transactions**: These transactions are likely to have minimal, low-risk or no environmental or social risks associated with them. No further environmental and social assessment work is required after screening, but there is need to verify compliance with national regulations and relevant permit requirements as well as to monitor implementation of transactions; any environmental and/ or social impacts that may occur will be addressed as per this ESMF. Category C transactions are expected to be the bulk of SME activities given the limited size of the loans and eligibility criteria.

7.3 TRANSACTIONS NOT ELIGIBLE FOR FINANCING UNDER THE PROJECT:

Some transactions will not be eligible under SCALED-UP for financing because of higher costs and time associated with preparation of impact assessment and development of mitigation measures and given the limited capacity of PFIs in managing such impacts in line and World Bank safeguard policies. The list of these transactions is provided in Section 2.5, and include those transactions typically prohibited by international environmental agreements or where the World Bank Group considers direct financing inappropriate because of the significance of associated environmental and social risks. It also includes:

- Transactions that fit the classification of category A
- Transactions that will require the acquisition of private land or physical relocation of households;
• Activities based on or directly linked to land/natural resource-based productions such as food productions and processing, and other transactions of which the scale of impact exceeds the cost and time to address them given the scale of project benefits and the capacity of project stakeholders.
• Activities involving child labor and activities involving forced labor;
• Industrial-scale activities involving significant conversion or degradation of natural and/or critical habitats and/or any activities in legally protected or internationally recognized areas;
• Industrial-scale activities involving production, harvesting, or trade in wood or other forestry products from plantation and natural forests other than from legal and sustainable origin;
• Industrial-scale activities involving harvesting of wild fish populations or other aquatic species other than from legal and sustainable origin;
• Activities, including relocation, that have adverse impacts on the lands, natural resources, or critical cultural heritage subject to traditional ownership or under customary use by Indigenous Peoples;
• Activities involving significant alteration, damage, or removal of any critical cultural heritage.

7.4 PRINCIPLES AND METHODS OF SCREENING FOR RISK REVIEW

Screening is the first step in the environmental assessment process, which will assign the transaction in question to one of the three categories (A, B or C). This categorization will decide the nature of further environmental and social assessment and identify transactions to be excluded at an early stage to avoid or reduce significant adverse impacts and save costly and time-consuming procedures and analysis. The significance of impacts may be described in different ways. The simplest approach is the presence or absence of impacts and qualification of degree of impact as minimal, moderate, significant, or highly significant. In assessing degree of impact or risk, it is appropriate to take into consideration type, scale, location, timing, and sensitivity of the impact. A key factor to consider is whether the impact is reversible, and if so, the rate of recovery.

7.5 PRINCIPLES AND METHODS OF CATEGORIZATION

7.5.1 Category B Transactions

Transactions that may have some environmental or social risks that are less adverse and more limited than category A level, site-specific and largely reversible, and readily addressed through mitigation measures are normally classified as Category B. The following characteristics indicate a likely categorization of Category B:

• sub-project investments supported by the MSME Fund in the off-grid renewable energy and livestock sub-sectors (livestock production, animal husbandry or Slaughterhouses) to cover loans to MSMEs as well as consumer financing “microfinance” to cover loans targeting households and micro-enterprises.
• Labor and working conditions are unlikely to include harmful child labor, involuntary or compulsory labor, or significant occupational health and safety issues;

7.5.2 Category C Transactions

Transactions that do not have the characteristics described above as characteristics of Category A and B transactions and are perceived to have minimal or no adverse environmental or social impacts are classified as Category C, and no further environmental or social assessment work needs to be done after initial screening and categorization. PFIs are nonetheless required to verify compliance with national regulations/
permit requirements, to monitor the implementation of such transactions and address any environmental and/or social that arises as per this ESMF.

- Examples of Category C transactions include purchase and supply of goods and services and capacity building.
8 ENVIRONMENTAL AND SOCIAL REVIEW AND ASSESSMENT

8.1 ENVIRONMENTAL AND SOCIAL REVIEW AND ASSESSMENT FOR CATEGORY C TRANSACTIONS

If the likely environmental and social risks and impacts are determined through the screening process to be very low or negligible, the transaction is a Category C and no further environmental review and assessment is required. However, results of the safeguard screening should be attached to the transaction documents. Also, PFIs should ensure that the transaction meets the national requirements including permitting and monitor implementation of such transactions to address any environmental and/ or social impacts that may result.

8.2 ENVIRONMENTAL AND SOCIAL REVIEW AND ASSESSMENT FOR CATEGORY B TRANSACTIONS

For Category B transactions, the environmental and social risks and impacts are perceived to be manageable, site specific, reversible and with established remedial and good practice measures as described in the appropriate WBG Environmental Health and Safety Guidelines.

If the activity is one that is subject to preparation of an EMP report, the PFI may proceed to process the loan application, but will not disburse the loan until the EMP is reviewed and approved by the PIU and/or World Bank (as agreed with applicant).

An environmental and social impact audit may be carried out on proposed transactions as well as on existing facilities which focuses on two elements: (a) compliance of existing facilities and operations with relevant environmental (including occupational health and safety) and social laws, regulations, and applicable World Bank policies’ requirements (Section 1.3); and (b) the nature and extent of environmental and/or social impacts, including contamination to soils, groundwater, and structures, as a result of past/ on-going activities and proposed transactions. The scope and depth of the audit or review should be commensurate to potential impacts and type of transactions.

A Corrective Action Plan will be developed if the environmental and social impact audit or review finds that negative but manageable impacts may occur as a result of continuing implementation of on-going activities or new implementation of proposed transactions. The Action Plan may call for preparation and implementation of an Environmental Management Plan (EMP) or Environmental Code of Practice (ECoP), as relevant, to address the impacts that are identified based on the audit. The Action Plan should also include measures to inform potentially affected people of the nature of transactions, potential impacts, mitigations measures and grievance mechanisms. The Action Plan should be attached to the loan proposal and the assessment and verification for compliance with the proposed actions, the E&S capacity of relevant PFIs, and this ESMF is a condition of loan/transaction approval. Annex C provides sample for EMP content and form for screening.

It is recognized that SMEs may have limited capacity for assessing environmental and social risks or carrying out necessary studies, such as environmental and/or social impact audits or reviews. In such cases, flexibility will be applied, and efforts will be made to find the best and sustainable instruments and procedures for the transaction in question. In accordance with its E&S capacity PFIs will ensure that the environmental and social risks and impacts have been adequately identified and appropriately managed in a manner commensurate to the risk review as well as corrective Action Plan, which if developed, in line with ESMF, is a condition of loan approval. In some instances, PFIs may opt to arrange for an appropriate environmental review on its own behalf using outside expertise. At minimum, for all Category B
transactions, PFIs will prepare for the record a brief summary report or memorandum identifying sources of information and relevant facts and findings that allow a determination that the transaction is consistent with applicable environmental and social requirements.

In the event that the applicant has already prepared an EMP in accordance World Bank as agreed and the PFI must review the report and make a determination whether: it is adequate and accurate in identification of environmental and social impacts; that appropriate measures have been identified to avoid, minimize, or mitigate those impacts; that the applicant has the commitment and the capability to manage the impacts as proposed. Moreover, PFIs will assure itself that the records show that timely and appropriate consultation with directly affected people, local communities, and interested stakeholders has taken place on the findings and recommendations of the EMP before loan approval.

It is expected that most PFIs do not have capacity to manage environmental or social impacts. The World Bank will retain rights to prior review the results of environmental and social screening, audits and corrective Action Plans, if developed, until PFIs are considered to have developed adequate capacity to review them independently. Once PFIs are evaluated by the environment and social specialists to have developed sufficient capacity, the World Bank will review randomly selected environmental and social audits or reviews and corrective Action Plans on a post review basis.

8.3 Transactions Requiring Land Acquisition or Change in Land Use

The subproject involving physical relocation of households or land acquisition is not eligible (Section 7.3). PFIs will verify that the transactions proposed for financing will be carried out within the land to which applicants have legal tiles and no competing claims or legacy exists. PFIs will file the result of verification for record and review by the World Bank before loan approval.

8.4 Transactions with Civil Works

Transactions involving major civil works that have adverse impacts will not be eligible for Project support as their costs may outweigh the benefits and capacity of the SME to handle impacts may not be available and/or adequate. Transactions involving minor works and repairs may be supported. To mitigate the potential negative impacts of small-scale civil works, a simplified environmental code of practice (ECOP) including a clause on “chance finds” has been prepared (Annex B). The financial institution will ensure that all the subprojects involving small-scale civil works will incorporate the ECOP into the civil works contract and that the contractor performance is monitored by the subproject owner and the results/including any complaints from local communities are included the subproject progress report.
9 GRIEVANCE REDRESS MECHANISM

This chapter describes the Grievance Redress Mechanism (GRM) that the PIU and MSME Fund Managers will establish and manage to enable beneficiaries to communicate their concerns regarding the Project. More specifically, the GRM details the procedures that communities and individuals, who believe they are adversely affected by the Project or a specific subproject, can use to submit their complaints, as well as the procedures to systematically register, track, investigate and promptly resolve complaints.

The GRM will include an upstream communications and information campaign with back-office functions housed at ministry of finance to respond and handle complaints. The GRM will be operated by the PIU on behalf of Ministry of Finance.

The PIU will have the overall responsibility to address Project activity-related complaints from Project affected communities or individuals regarding any environmental or social impacts due to subproject activities. PIU will recruit a dedicated focal point in its Office to handle Project activity-related complaints. Each of the Implementing Partners will designate a GRM focal point.

9.1 PROCEDURES FOR COMPLAINTS

9.1.1 Registering Complaints

Access points for GRM focal point for beneficiaries to voice their concerns will be provided at the project office. These access points will be advertised at subproject level, and include: complaint box with mail, telephone, email and website.

Grievances can be brought up by affected people in case of: (i) non-fulfillment of contracts or agreements; (ii) compensation entitlements; (iii) types and levels of compensation; (iv) disputes related to destruction of assets or livelihoods; (v) disturbances caused by construction activities, such as noise, vibration, dust or smell. Anonymous complaints will be admissible.

The Implementing Partners and Project contractors will also keep a log of issues brought directly to their attention verbally or in writing by Project affected communities or individuals and relay these concerns in writing to PIU/MSME Fund Managers on a next day basis. PIU/MSME Fund Managers will determine if these concerns rise to the level of a complaint.

PIU/MSME Fund Managers will register the complaint in a dedicated log, including a copy of the complaint and supporting documents. A draft template for registering grievances is found in Annex G.

PIU/MSME Fund Managers will record and document complaints received in the subproject file and the subproject progress reports, including the number and type of complaints and the results of their resolution.

9.1.2 Tracking, Investigating and Resolving Complaints

The GRM log maintained by PIU/MSME Fund Manager will track the date the complaint was received, date responded to, the type of response, and if the complaint was resolved to the satisfaction of the plaintiff. The GRM Focal Point will coordinate with implementing partners, local field staff and local government officials to ensure prompt follow up action in response to each complaint. More specifically, the GRM focal point will for named complaints:
i. inform the plaintiff if the complaint is accepted or rejected within one week of receiving the complaint; any technical input from Project engineers; if necessary the response will require input from Project engineers

ii. if the complaint is accepted, send the plaintiff an officially stamped review card indicating:
   - plaintiff name or legal representative
   - plaintiff address
   - complaint title
   - review date
   - list of annexes submitted with the complaint

iii. work with engineers, implementing partners, and contractors to resolve the complaint within 28 days of its submission

PIU/MSME Fund Managers will include the log of complaints to the World Bank as part of PIU/MSME Fund Managers quarterly reporting to the World Bank.

9.1.3 Gender Sensitivity

PIU/MSME Fund Managers will make the GRM gender sensitive by recruiting female staff to:
   - inform women about the Project and its possible benefits to women, in a culturally sensitive manner
   - inform women of the Project’s GRM and its procedures
   - receive any project-related complaints from women

9.1.4 Activating the GRM Mechanism

PIU/MSME Fund Managers will conduct a kick off workshop involving the implementing partners and beneficiary representatives to inform them on GRM procedures.

9.2 Grievance Redress Service


The World Bank’s Grievance Redress Service (GRS) provides an additional, accessible way for individuals and communities to complain directly to the World Bank if they believe that a World Bank-financed project had or is likely to have adverse effects on them or their community. The GRS enhances the World Bank’s responsiveness and accountability by ensuring that grievances are promptly reviewed and responded to, and problems and solutions are identified by working together.

The GRS accepts complaints in English or the official language of the country of the person submitting the complaint. Submissions to the GRS may be sent by:

Email: grievances@worldbank.org
Fax: +1-202-614-7313
Letter: The World Bank
Grievance Redress Service (GRS)
MSN MC 10-1018
1818 H St NW
Washington, DC 20433, USA

9.3 World Bank Inspection Panel

The Inspection Panel is an independent complaints mechanism for people and communities who believe that they have been, or are likely to be, adversely affected by a World Bank-funded project. The Board of Executive Directors created the Inspection Panel in 1993 to ensure that people have access to an independent body to express their concerns and seek recourse. The Panel assesses allegations of harm to people or the environment and reviews whether the Bank followed its operational policies and procedures.

The Panel has authority to receive Requests for Inspection, which raise issues of harm as a result of a violation of the Bank’s policies and procedures from:

- Any group of two or more people in the country where the Bank financed project is located who believe that, as a result of the Bank’s violation of its policies and procedures, their rights or interests have been, or are likely to be adversely affected in a direct and material way. They may be an organization, association, society or other group of individuals;
- A duly appointed local representative acting on explicit instructions as the agent of adversely affected people;
- In exceptional cases, a foreign representative acting as the agent of adversely affected people;
- An Executive Director of the Bank in special cases of serious alleged violations of the Bank’s policies and procedures.

The Panel may be contacted by:
- email at ipanel@worldbank.org
- phone at +1-202-458-5200
- fax at +1 202-522-0916 (Washington, D.C.)
- mail at: Inspection Panel, Mail Stop MC 10-1007, 1818 H Street, N.W., Washington, D.C. 20433, U.S.A.

9.4 GRIEVANCE MECHANISM FOR WORKERS

PFIs will put in place a Grievance Mechanism for their workers that is proportionate to their workforce, according to the following principles:

Provision of information. All workers should be informed about the grievance mechanism at the time they are hired, and details about how it operates should be easily available, for example, included in worker documentation or on notice boards.

Transparency of the process. Workers must know to whom they can turn in the event of a grievance and the support and sources of advice that are available to them. All line and senior managers must be familiar with their organization's grievance procedure.

Keeping it up to date. The process should be regularly reviewed and kept up to date, for example, by referencing any new statutory guidelines, changes in contracts or representation.

Confidentiality. The process should ensure that a complaint is dealt with confidentially. While procedures may specify that complaints should first be made to the workers’ line manager, there should also be the option of raising a grievance first with an alternative manager, for example, a human resource (personnel) manager.
Non-retribution. Procedures should guarantee that any worker raising a complaint will not be subject to any reprisal.

Reasonable timescales. Procedures should allow for time to investigate grievances fully, but should aim for swift resolutions. The longer a grievance is allowed to continue, the harder it can be for both sides to get back to normal afterwards. Time limits should be set for each stage of the process, for example, a maximum time between a grievance being raised and the setting up of a meeting to investigate it.

Right of appeal. A worker should have the right to appeal to PIU or national courts if he or she is not happy with the initial finding.

Right to be accompanied. In any meetings or hearings, the worker should have the right to be accompanied by a colleague, friend or union representative.

Keeping records. Written records should be kept at all stages. The initial complaint should be in writing if possible, along with the response, notes of any meetings and the findings and the reasons for the findings.

Relationship with collective agreements. Grievance procedures should be consistent with any collective agreements.

Relationship with regulation. Grievance processes should be compliant with the national employment code.
10 CONSULTATION AND PUBLIC DISCLOSURE

The World Bank Safeguards Operational Policy /Bank Procedures (OP/BP 4.01 on Environmental Assessment) requires public consultation with relevant stakeholders (potential project beneficiaries, affected groups and local non-governmental organizations (NGOs) about the project environmental/social impacts and take their view into account. Below is the process followed in stakeholder engagement and disclosure plans.

Stakeholder engagement is important because it will give the project stakeholders and the potentially Project Affected Person(s) the opportunity to contribute input and feedback information, aimed at strengthening the development process and avoiding negative impacts or mitigating them where they cannot be avoided. Effective and close consultation with them is a pre-requisite for the successful running and execution of the SCALED-UP.

The PIU will establish a grievance redress mechanisms (GRM) that will allow general public in the project area, affected communities or individuals to file complaints and to receive responses in a timely manner. The system will also record and consolidate complaints and their follow-up. This system will, be designed for handling complaints perceived to be generated by the project or its personnel. It may also include disagreements about compensation and other related matters. The Safeguard consultant housed at ministry of Finance will be responsible for overall follow up and monitoring of the project, including liaising with the PIU to resolve complaints.

Stakeholders’ engagement and public consultation would be an on-going activity taking place throughout the entire project process. Public participation and consultation would take place through meetings, radio programs, requests for written proposals/comments, filling in of questionnaires, explanations of project to the locals, making public documents available at the federal, state and local levels.

During the project preparation process, discussions were held with project implementing agencies on the project activities and components. Public consultation and stakeholder engagement workshop was held on 21st November 2018 at the office of the Somali Federal Ministry of Finance. The workshop was attended by over 24 stakeholders including farming communities, financial institutions, relevant government ministries, VMGs, CBOs, CSGs and NGOs. The Directorate of Environment was represented and provided assurances of full support to the project. Name list, their organizations, titles and contact information are recorded in the project attendance list. Capacity and gender including the poor and most vulnerable groups issues were highlighted and suggestions provided for technical training and developmental assistance. Information provided and discussed included project objective, description, and components, potential impacts (positive and negative), and the draft ESMF Executive Summary were translated and distributed.

The overall results of the workshop suggested that most of the stakeholders fully support the project and consider that the proposed draft ESMF is appropriate. Key issues raised during consultations include coordination and supervision of environmental and safeguards implementation. Local communities expressed their willingness to participate in the dissemination of project information. Discussion with the representative of marginalized groups and women also confirmed their full support of the project.

Minutes of the stakeholder consultations are documented in Annex F.

Consultations with stakeholders will be held continuously with the beneficiaries throughout the course of project implementation.
10.1 **ESMF DISCLOSURE**

The ESMF will be disclosed in Somalia and on the World Bank’s external website, after the World Bank review, as final draft versions. In-country disclosure of the ESMF will utilize appropriate communication channels such as on the websites of the implementing agencies and/or as hard-copies in a location and format easily accessible to public, and other public places of project intervention areas) as well as on the World Bank external website.
11 ESMF CAPACITY BUILDING AND TRAINING

The counterpart’s capacity in planning, implementing and supervising any due diligence measures (environmental, social, technical and overall quality) is currently deemed very low. There is very limited capacity in terms of staffing, financial resources and skills on the World Bank’s safeguard policies. The FGS has created a Ministry of Energy and Water Resources in Mogadishu, to be focused on developing energy sector policy and regulation of the sector. The ministry’s energy sector management department has only a director and volunteer consultant. However, this consultant is knowledgeable about environmental and social safeguards and international standards and could act as the initial focal point for beginning to develop PIU or in-house safeguards capability, given added capacity building and project support.

Despite the current low level of safeguard capacity within MDAs and PFIs, there is some nascent capacity in those government’s agencies responsible for environmental matters. Given the relatively low to minimal level of environmental and social impacts anticipated by small-scale solar installations under this project, the addition of one or two knowledgeable and engaged safeguard consultants to the PIU or the staff of agencies responsible for electricity sector oversight could adequately cover safeguard requirements for this project. Under Component 3, additional capacity building for safeguard focal points and implementing agencies’ technical staff could also serve as the base for strengthening their safeguards oversight capacity for possible future larger financial intermediary projects. The frameworks will assess in more detail the staffing and capacity of the implementing agencies and propose a course of action to fill the staffing and capacity gaps during implementation.

The ESMF has assessed the implementing agencies capacities and has proposed measures to enhance safeguards capacity to improve environmental and social performance during project implementation; this will include safeguards training for PIU and recruitment of an environmental and social safeguard management consultant to be based at Ministry of Finance. The budget proposed to enhance safeguard capacity is a total of USD 470,000.

The budget will provide for recruitment of a safeguard consultant, capacity building of the PIU and PFIs related to safeguard compliance and development of ESMS, incorporate E&S requirements (clean track E&S record, applies Exclusion Criteria for SMEs, and Contractors) into application, credit agreements and conduct review of FIs, SMEs ESMSs, Monitoring & Evaluation and Implementation of ESMF.

The budget remains open for revision and improvement as and when needed. A breakdown of the budget for FGS is provided below.

Table 6: Estimated budget for technical assistance & implementation of ESMF

<table>
<thead>
<tr>
<th>Activity</th>
<th>Estimated Budget (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthening PIU Safeguard capacity</td>
<td>20,000</td>
</tr>
<tr>
<td>Battery recycling, Waste management, and more specifically, battery storage and recycling; and need for harmonization of E&amp;S standards among SHS distributors</td>
<td>20,000</td>
</tr>
<tr>
<td>Community engagement and sensitization campaigns</td>
<td>30,000</td>
</tr>
<tr>
<td>Building PFI safeguard capacity to develop ESMS</td>
<td>200,000</td>
</tr>
<tr>
<td>Recruitment of safeguard consultant</td>
<td>100,000</td>
</tr>
<tr>
<td>Activity</td>
<td>Estimated Budget (USD)</td>
</tr>
<tr>
<td>------------------------------------------------------------------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>Gender actions implementation. Implementing gender strategy for the project by taking action for women to be seen and engaged as valuable partners along the entire value chain—in the design, marketing, sales, and after-sale services</td>
<td>100,000</td>
</tr>
<tr>
<td></td>
<td><strong>470,000</strong></td>
</tr>
</tbody>
</table>
12 ANNEXES

ANNEX A: ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM (ESMS)

This ESMF will be the practical processing tool during project formulation, design, planning, implementation, and monitoring of the SCALED UP activities to ensure that environment and social aspects are duly considered. PFIs are encouraged as part of capacity building to develop their own internal Environmental and Social Management System (ESMS) to assist in managing environmental and social risks of PFIs operations.

The ESMS will outline the policy commitment of PFI to meet the requirements and standards the PFI may wish to follow, the ESMS shall describe key features including: social and environment policies and procedures; organization structure and staffing for managing environmental and social risk; skills and competencies in social and environmental areas; training and awareness of the institution’s investment, legal, and credit officers on the organization’s ESMS; reporting systems to managers; performance monitoring procedures and grievance mechanisms. The ESMS will also include supporting tools such as checklists, templates and guidance notes to assist the loan/credit officers and other relevant staff to assess and manage environmental and social risks.

The ESMF has included a budget line for supporting PFIs in developing ESMS.
ANNEX B: SIMPLIFIED ENVIRONMENTAL CODE OF PRACTICE (ECOP)

The requirements in this annex will be incorporated into all contracts related to civil works. It comprises 2 parts: (1) good housekeeping involves proper storage, use, cleanup, and disposal of the various materials used during construction for human and environmental safety and (2) a standard clause for “chance find” procedures.

Part (1) Good housekeeping practices:

DO:

- Limited working hour during the day time, especially in residential areas, and control driving speed;
- Minimize earth excavation and appropriate disposal of spoil;
- Minimize opening of new borrow pits and ensure proper closure;
- Minimize traffic congestion, dust and noise generation;
- Proper maintenance of construction equipment and vehicles;
- Provide appropriate safety sign (day and night) and closely inform local residents;
- Avoid spill of used oil and other toxic materials, including safe transportation and storage;
- Ensure access to clean water and latrines by workers and provide mosquito net;
- Provide appropriate safety sign (day and night) and closely inform local residents;
- Avoid spill of used oil and other toxic materials, including safe transportation and storage;
- Avoid social/cultural conflict between workers and local population; and
- Apply good housekeeping in the construction and/or storage sites to ensure safety of workers and peoples (Gather up and remove debris to keep the work site orderly and safe; Plan and implement adequate disposal of scrap, waste and surplus materials; Keep the work area and all equipment tidy. Designate areas for waste materials and provide containers; Keep stairways, passageways and ladders free of material, supplies and obstructions; Secure loose or light material that is stores on roofs or open floors; Keep materials at least 2m (5ft) from openings, roof edges, excavations or trenches; Remove or bend over nails protruding from lumber; Keep hoses, power cords, welding leads, etc from laying in heavily traveled walkways or areas; Ensure structural openings are covered/protected adequately; Provide the appropriate fire extinguishers for the materials found on-site. Keep fire extinguisher stations clear and accessible; etc.)

DO NOT:

- Do not permit rubbish to fall freely from any locations of the project and/or access by animals (dogs, cats, pigs, etc.). Use appropriate containers.
- Do not throw tools or other materials.
- Do not raise or lower any tool or equipment by its own cable or supply hose.
- Use grounding straps equipped with clamps on containers to prevent static electricity buildup.
- Do not allow hunting of animals by workers in protected areas.

SPECIAL NOTE ON FLAMMABLE/EXPLOSIVE MATERIALS:

- Store flammable or explosive materials such as gasoline, oil and cleaning agents apart from other materials.
- Keep flammable and explosive materials in proper containers with contents clearly marked.
- Dispose of greasy, oily rags and other flammable materials in approved containers.
- Store full barrels in an upright position.
- Store empty barrels separately.
• Post signs prohibiting smoking, open flames and other ignition sources in areas where flammable and explosive materials are stored or used.
• Store and chain all compressed gas cylinders in an upright position.
• Mark empty cylinders and store them separately from full or partially full cylinders.
• Ventilate all storage areas properly.
• Ensure that all electric fixtures and switches are explosion proof where flammable materials are stored.

The “chance find” procedures:

If the Contractor discovers archeological sites, historical sites, remains and objects, including graveyards and/or individual graves during excavation or construction, the Contractor shall:
• Stop the construction activities in the area of the chance find;
• Delineate the discovered site or area;
• Secure the site to prevent any damage or loss of removable objects. In cases of removable antiquities or sensitive remains, a night guard shall be arranged until the responsible local authorities take over;
• Notify the supervisory Project Environmental Officer and Project Engineer who in turn will notify the responsible local authorities immediately (within 24 hours or less);
• Responsible local authorities would be in charge of protecting and preserving the site before deciding on subsequent appropriate procedures. This would require a preliminary evaluation of the findings to be performed by the archeologists. The significance and importance of the findings should be assessed according to the various criteria relevant to cultural heritage; those include the aesthetic, historic, scientific or research, social and economic values;
• Decisions on how to handle the finding shall be taken by the responsible authorities. This could include changes in the layout (such as when finding an irremovable remain of cultural or archeological importance) conservation, preservation, restoration and salvage;
• Implementation for the authority decision concerning the management of the finding shall be communicated in writing by relevant local authorities; and Construction work could resume only after permission is given from the responsible local authorities or concerning safeguard of the heritage.
ANNEX C: SAFEGUARD SCREENING AND EMP CONTENT

This annex clarifies schematic process for safeguard screening and forms (F1 and F2) and sample EMP content (F3).

F1 Schematic Safeguard Review Process

![Schematic Process Diagram]

Identification and Initial Screening for Excluded Transaction (by PFI)

Pass:
Proceed with Preparation of Sub-projects details

Fail:
Discard the Application

PFI assess the potential Sub-Projects for potential risks and impacts and E&S requirements (ESMF/ESMS)

Smaller subprojects with no or limited potential E&S issues

PFI fill out E&S Assessment Checklist with support of the PIU Safeguard consultant

Does the subproject have significant E&S risks and impacts?

No:
Proceed with preparation of Subproject application

Yes:
prepare an EMP or mitigation measures

Attach E&S Assessment Checklist, and/or related E&S Documents to Subproject Agreement

Sub-project Implementation and E&S Compliance Monitoring

Larger subprojects with identified E&S issues and/or require EMP approval:

SME prepare mitigation measures and submitted to PFI
PFI appraise the transaction including safeguard measures and if acceptable sign the loan agreement. If not assist the SME to improve it

PFI record the E&S implementation progress and included it in project progress report to be submit to WBG for clearance
EMP Content (sample)

Executive summary
1. Introduction - provide brief but concise information on objective of the EMP and its connection with the ESMF of the Project and/or ESMS of the PFI.

2. Policy, regulations, and institutional frameworks
   2.1 GOV’s regulations - provide brief description of GOV regulations related to EMP if applicable and standards applied for the subproject

2.2 ESMF requirements

3. Project description – provide description of the subproject including location maps showing location in the project area as well as details at the subproject level. This is to provide reader who is not familiar with the area to understand the issue clearer.

4. Environmental background – provide key information on the environmental background of the subproject as well as its connection with the project area, including maps (if possible). Focus should be given to identify area/community that may be affected by the subproject.

5. Potential impacts and mitigation measures – provide results of the safeguard screening following the criteria in the ESMF, identify potential impacts (positive and negative) and mitigation measures; the impacts should be described for preconstruction, construction, and operation phases; using a matrix format could help understanding connection between the impacts and mitigation better.

6. Actions to be carried out under the subproject – explain the mitigation measures and agencies responsible for the implementation during preconstruction, construction, and operation stages of the subproject, including incorporating ECOP (annex B) into the subproject involving civil works.

7. Implementation arrangement – explain responsible agencies (including their capacity to carry out the activities identified in the EMP and the need for training), implementation schedule, cost estimate, and how the EMP will be integrated into the subproject, including state explicitly that the ECOP will be included in the bidding documents of contractors.

8. Consultation and information disclosure – provide summary on consultation activities and stakeholders on the EMP at subproject level and concerns raised and responses. Locations and dates of EMP to be disclosed should be provided.
ANNEX D: TEMPLATE FOR SUBPROJECT SCREENING

<table>
<thead>
<tr>
<th>Subproject name</th>
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</thead>
<tbody>
<tr>
<td>Subproject location</td>
<td></td>
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<tr>
<td>Implementing Partner</td>
<td></td>
</tr>
<tr>
<td>Is OP 4.01 applicable?</td>
<td></td>
</tr>
<tr>
<td>Is the subproject eligible (yes/no)?</td>
<td></td>
</tr>
<tr>
<td>Field Visit (yes/no; include date)</td>
<td></td>
</tr>
<tr>
<td>Observations/comments</td>
<td></td>
</tr>
<tr>
<td>Signature of MSME Manager</td>
<td></td>
</tr>
</tbody>
</table>

Applicability
Is the subproject likely to have direct or indirect environmental or social impacts?

- Yes  Continue to Step 2
- No  Go to bottom of page and sign the screening form

Eligibility (Negative List)
The subproject is ineligible if it has any of the following attributes. If this is the case, complete the form and sign it.

<table>
<thead>
<tr>
<th>Category A attributes, such as:</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activities with significant adverse impacts that are sensitive, diverse, or unprecedented, or that affect an area broader than the sites or facilities subject to physical works</td>
<td></td>
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<tr>
<td>Major resettlement</td>
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<tr>
<td>Greenfield projects</td>
<td></td>
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<tr>
<td>Solid Waste</td>
<td></td>
<td></td>
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<tr>
<td>New disposal site</td>
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<tr>
<td>Income Generating Activities</td>
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<tr>
<td>Activities involving the use of fuelwood, including trees and bush.</td>
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<tr>
<td>Activities involving the production or use of hazardous substances or explosives</td>
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<tr>
<td>Labor</td>
<td></td>
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<tr>
<td>Activities a high risk of significant adverse impacts related to labor influx, child or forced labor.</td>
<td></td>
<td></td>
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<tr>
<td>Physical Cultural Resources, World Bank OP 4.11</td>
<td></td>
<td></td>
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<tr>
<td>Damage to cultural property, including but not limited to activities that affect:</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Environmental or social impacts

Is the subproject likely to cause any of the following environmental or social impacts?

<table>
<thead>
<tr>
<th></th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Zoning and Land Use Planning</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Will the subproject affect land use zoning and planning or conflict with prevalent land use patterns?</td>
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</tr>
<tr>
<td>2.</td>
<td>Will the subproject involve significant land disturbance or site clearance?</td>
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<tr>
<td>3.</td>
<td>Will the subproject land be subject to potential encroachment by urban or industrial use or located in an area intended for urban or industrial development?</td>
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<tr>
<td><strong>B. Utilities and Facilities</strong></td>
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<tr>
<td>4.</td>
<td>Will the subproject require the setting up of ancillary production facilities?</td>
<td></td>
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<tr>
<td>5.</td>
<td>Will the subproject require significant levels of accommodation or service amenities to support the workforce during construction (e.g., contractor will need more than 20 workers)?</td>
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<tr>
<td><strong>C. Water and Soil Contamination</strong></td>
<td></td>
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<tr>
<td>6.</td>
<td>Will the subproject require large amounts of raw materials or construction materials?</td>
<td></td>
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<tr>
<td>7.</td>
<td>Will the subproject generate large amounts of residual wastes, construction material waste or cause soil erosion?</td>
<td></td>
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<tr>
<td>8.</td>
<td>Will the subproject result in potential soil or water contamination (e.g., from oil, grease and fuel from equipment yards)?</td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td>Will the subproject lead to contamination of ground and surface waters by herbicides for vegetation control and chemicals (e.g., calcium chloride) for dust control?</td>
<td></td>
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<tr>
<td>10.</td>
<td>Will the subproject lead to an increase in suspended sediments in streams affected by road cut erosion, decline in water quality and increased sedimentation downstream?</td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td>Will the subproject involve the use of chemicals or solvents?</td>
<td></td>
</tr>
<tr>
<td>12.</td>
<td>Will the subproject lead to the destruction of vegetation and soil in the right-of-way, borrow pits, waste dumps, and equipment yards?</td>
<td></td>
</tr>
<tr>
<td>13.</td>
<td>Will the subproject lead to the creation of stagnant water bodies in borrow pits, quarries, etc., encouraging for mosquito breeding and other disease vectors?</td>
<td></td>
</tr>
<tr>
<td><strong>D. Noise and Air Pollution Hazardous Substances</strong></td>
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<tr>
<td>14.</td>
<td>Will the subproject increase the levels of harmful air emissions?</td>
<td></td>
</tr>
<tr>
<td>15.</td>
<td>Will the subproject increase ambient noise levels?</td>
<td></td>
</tr>
<tr>
<td>16.</td>
<td>Will the subproject involve the storage, handling or transport of hazardous substances?</td>
<td></td>
</tr>
</tbody>
</table>

**Environmental and Social Management Framework (ESMF)** 65
<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>17.</td>
<td>Will the subproject lead to unplanned use of the infrastructure being developed?</td>
</tr>
<tr>
<td>18.</td>
<td>Will the subproject lead to long-term or semi-permanent destruction of soils in cleared areas not suited for agriculture?</td>
</tr>
<tr>
<td>19.</td>
<td>Will the subproject lead to the interruption of subsoil and overland drainage patterns (in areas of cuts and fills)?</td>
</tr>
<tr>
<td>20.</td>
<td>Will the subproject lead to landslides, slumps, slips and other mass movements in road cuts?</td>
</tr>
<tr>
<td>21.</td>
<td>Will the subproject lead to erosion of lands below the roadbed receiving concentrated outflow carried by covered or open drains?</td>
</tr>
<tr>
<td>22.</td>
<td>Will the subproject lead to long-term or semi-permanent destruction of soils in cleared areas not suited for agriculture?</td>
</tr>
<tr>
<td>23.</td>
<td>Will the subproject lead to health hazards and interference of plant growth adjacent to roads by dust raised and blown by vehicles?</td>
</tr>
</tbody>
</table>

**F. Expropriation and Social Disturbance**

<p>| | |</p>
<table>
<thead>
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<tbody>
<tr>
<td>24.</td>
<td>Will the subproject impact internally displaced persons (IDP) negatively?</td>
</tr>
<tr>
<td>25.</td>
<td>Will the subproject lead to induced settlements by workers and others causing social and economic disruption?</td>
</tr>
<tr>
<td>26.</td>
<td>Will the subproject lead to environmental and social disturbance by construction camps?</td>
</tr>
<tr>
<td>27.</td>
<td>Will the subproject cause economic displacement?</td>
</tr>
<tr>
<td>28.</td>
<td>Will the subproject temporarily displace squatters, economically or physically, or other informal groups?</td>
</tr>
<tr>
<td>29.</td>
<td>Will the subproject cause a loss in productive assets or income source?</td>
</tr>
<tr>
<td>30.</td>
<td>Will the subproject restrict access to resources?</td>
</tr>
<tr>
<td>31.</td>
<td>Will the subproject affect the livelihoods or vulnerable people, such as persons with disabilities, widows or the elderly?</td>
</tr>
<tr>
<td>32.</td>
<td>Will the subproject create social conflict over the distribution of benefits or resources?</td>
</tr>
</tbody>
</table>
ANNEX E: TERMS OF REFERENCE FOR ENVIRONMENTAL AND SOCIAL SAFEGUARDS
CONSULTANT

Background
The Federal Government of Somalia has received financial assistance from the World Bank (WB) to implement the Somalia Capacity Enhancement, Livelihoods and Entrepreneurship through Digital Uplift Program (SCALEd-UP).

One of the components of this project is to provide financial intermediary institutions financing through an MSME Fund for on-lending to Micro, Small and Medium Enterprises (MSMEs) in productive and service sectors including energy and agriculture sectors, especially those led by women, thereby increasing opportunities for jobs and livelihoods, poverty reduction and inclusive growth.

This project will be implemented by the Federal Government of Somalia (FGS) using a single Project Implementation Unit (PIU) anchored in the Federal Ministry of Finance. The major thrust of this project is to contribute to the FGS strategy for poverty reduction by improving the welfare and living conditions of poor and vulnerable communities throughout the country.

To minimize any environmental and social impacts associated with the project, the project will be processed under the current World Bank Environmental and Safeguards policies and guidelines.

Objectives of the Assignment
The objectives of the assignment are to:
1. Environmental and Social (E&S) Management Specialist is expected to provide environmental and social management technical advice and support to the Ministry of Finance with regard to the SCALEd-UP project in line with the World Banks safeguards policies. The Specialist will also identify gaps in risk profiling, compliance, and propose measures to enhance compliance, ensuring effective and efficient engagement of the Ministry on environmental and social policy frameworks of the SCALEd-UP Project.
2. Provide overall environmental management oversight during the implementation of the project, supporting and advising the PIU in addressing a variety of environmental issues at all the stages of the implementation of the project and in environment related training/awareness raising and coordination activities.
3. Implement environmental related activities as outlined in the Environmental and Social Management framework (ESMF) of the project.
4. Prepare necessary documents, such as environmental guidelines and tools in consultation with stakeholders and help the PIU in commissioning and managing additional and/ or special studies/assessment, if necessary.
5. By Working with FIs manage environmental and social aspects of the downstream projects through the onward lending to SMES by ensuring FIs approach to engaging and managing E&S aspects is commensurate to the capacity and scale of the micro-businesses/borrowers in question and the associated E&S risks (e.g. child labor in agribusiness).
6. The Environmental and Social (E&S) Management Specialist will report to the PIU coordinator. The successful applicant will work with the PIU and have frequent interactions with World Bank staff and other stakeholders.

Duties and Responsibilities
The FGS is seeking to recruit a highly qualified Environmental and Social (E&S) Management Specialist to be based in Mogadishu with possible travel to the regions.
The Environmental and Social (E&S) Management Specialist will play an essential role in the application of the W Bank’s environmental policies (i.e., Environmental Assessment (OP 4.01), Natural Habitats (OP 4.04), Pest Management (OP 4.09), Physical Cultural Resources (OP 4.11), Forests (OP 4.36), and Safety of Dams (OP 4.37)) and in supporting the use of environmental assessments methodologies across the portfolios financed by the FIs.

Under the supervision of the PIU Coordinator, the Environmental and Social (E&S) Management Specialist will work closely with PIU and other related organizations in relation to all Environmental aspects of the project’s operations. This will include, but not limited to:

a. Enabling the FIs through their focal persons subject each subproject and activities under the project to the Project Environmental and Social Management Plan (ESMP) process and procedures;

b. Prepare guidelines, tools and notes for use in the project based on relevant environmental policies, acts and regulations/ directives of the FGS and relevant Environmental and Social Safeguard policies of World Bank Group;

c. Review and approve environmental screening forms of subprojects and activities done by the FIs, and help to prepare subproject or Environmental Management Plans (EMPs);

d. Provide support in supervision and monitoring of projects on the SCALED–UP project portfolio ongoing compliance with the applicable World Bank Policies/guideline and E&S requirements on a regular basis, which may include, overseeing E&S analysis of elevated risk clients, recommending risk mitigation measures where necessary.

e. Resolving E&S issues in case of non-compliance, and where needed, preparing a time-bound E&S action plan with specific follow-up procedures

f. Training of peers and clients on environmental awareness and management, as necessary.

g. Organize environmental orientation & awareness, and training for project partners, local consultations as well as local community engagement and other relevant stakeholders;

h. Prepare environmental information materials and help the client in disseminating the information to the relevant stakeholders;

i. Review subproject and activity plan, design, cost, and bid documents to ensure environmental factors and mitigations are incorporated, and subproject/ activity documents and environmental documents are in harmony;

j. Car out site supervisions during implementation of subprojects and activities, and provide feedback to the PIU Coordinator;

k. Conduct evaluation of ESMP Compliance;

l. Communicate with FIs and other relevant stakeholders for necessary environmental compliance;

m. Organize local-level interaction programs on environmental screening and environmental awareness as well as organize national level consultations with major stakeholders and academia, if necessary;

n. Produce report in a manner understood by non-technical people for effective dissemination purpose;

o. Undertake other duties as per the requirements of the project or as directed by Project Coordinator.

In performing the above-mentioned tasks, the Environmental and Social (E&S) Management Specialist shall be guided by the World Bank Guidelines and other applicable project guidelines.

**Required Skills and Experience**

This assignment requires Environmental and Social (E&S) Management Specialist with the following qualifications and experience as:

a. The consultant must have a minimum of Masters’ Degree in natural resources management (e.g. land, water etc.), environmental engineering, or equivalent;
b. A minimum of 8 years of post-qualification experience in environmental and social management issues with grounding in handling environmental issues and programs for big institutions and managing and/or implementing training and capacity building programs;
c. Proven knowledge in sustainable development financing and environmental and social risk management, preferably in a DFI environment;
d. Proficiency in the usage of computers and office software packages (word processing, spreadsheet etc.) and experience in handling of web-based data and information management systems;
e. Proven organizational, problem solving and decision-making skills with the ability to build partnerships, work in multinational teams, deliver results and management client relationships; Work experience in donor funded projects and other relevant institutions and experience of working and managing FI’s E&S risks will be an added advantage
f. Possess GBV specific skills to supervise issues related to GBV (e.g., supervise signing of Codes of Conduct (CoCs), verify working GRM for GBV is in place, refer cases where needed) and work with GBV Services Providers as entry points into service provision to raise awareness of the GRM
g. Fluency in both oral and written Somali and English language.
ANNEX F: STAKEHOLDER CONSULTATIONS

Public Consultation and Stakeholder Engagement Workshop
Public consultation and stakeholder engagement workshop was held on 21st November 2018 at the office of the Somali Federal Ministry of Finance. The consultation workshop was mainly concerned The Environmental and Social Management Framework (ESMF) for the SCALED_UP project for Somalia.

The workshop was attended by over 24 stakeholders including farming communities, financial institutions, relevant government ministries, VMGs, CBOs, CSGs and NGOs. The Directorate of Environment was represented and provided assurances of full support to the project. Name list, their organizations, titles and contact information are recorded in the project attendance list. Capacity and gender including the poor and most vulnerable groups issues were highlighted and suggestions provided for technical training and developmental assistance. Information provided and discussed included project objective, description, and components, potential impacts (positive and negative), and the draft ESMF Executive Summary were translated and distributed. The overall results of the workshop suggested that most of the stakeholders fully support the project and consider that the proposed draft ESMF is appropriate. Key issues raised during consultations include coordination and supervision of environmental and safeguards implementation. Local communities expressed their willingness to participate in the dissemination of project information. Discussion with the representative of marginalized groups and women also confirmed their full support of the project.

The objectives for the consultation workshop included to:
(i) generate a good understanding of the project;
(ii) enhance ownership of the project by local leadership and the community;
(iii) understand people’s and agency’s expectations about the project;
(iv) understand and characterize potential environmental, social and economic impacts of the project;
(v) advance the benefits that may accrue from the project; and
(vi) enable stakeholders to provide views, hence participating in or refining project designs/implementation.

Opening Remarks
Public consultation and stakeholders meeting commenced with the welcome speech by Mr. Burhan Iman, PIU coordinator for the SCALED_UP project. He highlighted the objectives of the meeting as to disseminate information on the project development and to obtain feedback on both objectives and draft environmental and social management framework. In his opening remarks, he has thanked the World Bank Group and the various donor groups who have financially and technically contributed to this project.
The coordinator has reiterated the importance of the project for women, the youth, other vulnerable groups, MSMEs, clean energy and agribusiness value chains which will contribute to inclusive economic growth and jobs. He has encouraged the participants to take full advantage of this project opportunity in order to enhance their knowledge of employing modern telecommunication technology and the line of credit provided to advance their business activities and improve their livelihoods. He has assured that the public consultation and stakeholder engagement program would be an integral part of the ESMF throughout the entire project implementation process. Finally, he reminded the audience that the rollout of the digital ID initiative and the strengthening financial regulations of CBS, FRC and NCA will help the FGS to effectively address the de-risking agenda and ensure safe and low cost remittance flows to Somalia.

Presentation
Power point presentation of the Project Overview and the ESMF was presented by Dr. Osman Ibrahim. The presentation mainly focused on technical, environmental and social aspects of the SCALED_UP project. The presentation followed the Question and Answer session which was actively participated. The presentation and discussion were facilitated in both Somali & English languages for better interaction and communication. The “Executive Summery” of the SCALED_UP ESMF was translated into Somali language for people with limited English language. The hardcopy of presentations were distributed to the participants.

Closing Remarks
The event closed at 1:40 PM by thanking all the stakeholders for their kind attendance and active participation. The program was wrapped up with closing remark by Mr. Burhan, PIU coordinator and Dr. Osman Ibrahim, Environmental and Safeguard specialist. Both of them thanked all participants for their valued suggestions and for making the event successful.

<table>
<thead>
<tr>
<th>No</th>
<th>Name</th>
<th>Organization</th>
<th>Comments</th>
<th>How it was addressed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mr. Abdulqadir Sidi</td>
<td>Directorate of the Environment</td>
<td>What about monitoring mechanism within the framework?</td>
<td>This document is draft ESMF framework covering the brief activities of the project and environmental and social documents to be prepared for the project.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>What is the consideration of the National Policies regarding the project</td>
<td>The proposed ESMP of the Project will develop a monitoring mechanism for all sub projects supported under the Project. The ESMP will follow both applicable national policies and WB Safeguard Policies as well.</td>
</tr>
</tbody>
</table>

Environmental and Social Management Framework (ESMF) 2018
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</thead>
<tbody>
<tr>
<td>2</td>
<td>Are there any environmental or social risks of the Project that are not sufficiently addressed in the ESMF?</td>
<td>No, the ESMF provides a practical processing tool during project formulation, design, planning, implementation, and monitoring to ensure that environment and social aspects of the SCALED_UP project are duly considered.</td>
</tr>
<tr>
<td></td>
<td>Are there any other suggestions on ways the Project can avoid any potential negative environmental and social impacts?</td>
<td>Yes, the project can avoid or minimize any potential negative environmental and social impact by:</td>
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<td></td>
<td>i) Fully complying the ESMF report recommendation</td>
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<td>ii) Continuous training and capacity building for the SMEs, PFI and PIU staff members</td>
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<td>iii) Preparation of detailed Environmental and Social Management Plan (ESMP) for the implementation of the SCALED_UP subprojects</td>
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<td>3</td>
<td>Guleed Osman Somali Banking Association</td>
<td>Environment study should be updated.</td>
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<tr>
<td></td>
<td>Environment study should be updated.</td>
<td>The existing environment and social documents will be updated at different level of studies to be commissioned under the proposed project.</td>
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<td>Consultants conducting the studies are in practice centrally based; and in many cases the information collected are not site specific and the sites are not visited and the genuine affected people are seldom consulted during the process.</td>
<td>If necessary, EA report will be prepared for this project following FGS and World Bank requirements. This includes stakeholder consultations, requirement for detailed fieldwork and in-depth site specific analyses and management plans. Most probably, the Scaled-Up project will not require an EA study.</td>
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<td>The Project is assessed as EA category Financial Intermediary (FI). It is anticipated that most transactions will be category B or C. Category A transactions are not foreseen because of the type of activities and the limited size and capacity of Financial Intermediaries.</td>
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Additional Comments and Key Concerns Raised

The following comments and concerns will be considered and addressed in the final ESMF report:

- Agriculture includes crop production, livestock, fisheries and poultry farming. No consideration of fisheries and poultry farming developments are given in the SCALED_UP project.
- Sustainability of the project due to the prevailing security situation in the country.
- Technical assistance for marketing the agribusiness products.
- SCALED_UP project coping mechanism or adaptation to droughts, floods, epidemics etc., due to the impact of climate change.
- Lack of national environmental policies and regulations.
- Lack of health facilities and safe drinking water sources in the selected project areas and;
- Prioritization for gender and youth issues.

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Wednesday, November 21, 2018
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*Sign In Sheet*

Wednesday, November 21, 2018
### ANNEX G: GRIEVANCE AND RESOLUTION FORM

#### SAMPLE GRIEVANCE AND RESOLUTION FORM

**Name (Filer of Complaint):** ________________________________

**ID Number:** ________________________________ (PAPs ID number)

**Contact Information:** ________________________________ District/Community mobile phone

**Nature of Grievance or Complaint:**

_________________________________________________________________________________

<table>
<thead>
<tr>
<th>Date</th>
<th>Individuals Contacted</th>
<th>Summary of Discussion</th>
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Signature ___________________________ Date: ____________

Signed (Filer of Complaint):

**Name of Person Filing Complaint:** ________________________________ (if different from Filer)

**Position or Relationship to Filer:** ________________________________

#### Review/Resolution

**Date of Conciliation Session:** ________________________________

Was Filer Present? Yes No

Was field verification of complaint conducted? Yes No

Findings of field investigation:

_________________________________________________________________________________

_________________________________________________________________

**Summary of Conciliation Session Discussion:**

_________________________________________________________________________________

_________________________________________________________________

**Issues:**

___________________________________________________________________________

Was agreement reached on the issues? Yes No

If agreement was reached, detail the agreement below:

If agreement was not reached, specify the points of disagreement below:

Signed (Conciliator): ___________________________ Signed (Filer): ________________

Signed: ___________________________

Independent Observer

Date: ___________________________