

THE UNITED REPUBLIC OF TANZANIA



**FINANCIAL ACCESS FOR SUSTAINABLE AND TRANSFORMATIONAL
(FAST) GROWTH
(P500471)**

ENVIRONMENT AND SOCIAL MANAGEMENT SYSTEM (ESMS)

November 2025

Environmental & Social Policy

Micro Small and Medium Enterprises (MSMEs) are fundamental to Tanzania's economic development, representing a substantial share of registered businesses and contributing significantly to national Gross Domestic Product and employment. As their operations expand across diverse sectors and geographies, it is essential to ensure that environmental and social (E&S) risks associated with MSME activities are identified, managed, and mitigated in a manner that supports sustainable and inclusive growth.

The Bank of Tanzania (BoT), as the Implementing Agency for the FAST Growth Project, is committed to ensuring that all Project-supported activities comply with national environmental, social, labor, and occupational health and safety requirements, as well as the Environmental and Social Framework (ESF) of the World Bank. Through the establishment of a Credit Guarantee Corporation (CGC) and engagement with participating financial institutions (PFIs), BoT will oversee the integration of E&S considerations throughout Project implementation.

BoT recognizes that while individual MSME operations may pose limited E&S risks, the cumulative impact of MSME activity across the country can be significant. Accordingly, BoT is committed to ensuring that all Project-supported financial institutions adopt and maintain Environmental and Social Management Systems (ESMS) proportionate to their risk profile and the nature of their lending activities. BoT and CGC will apply E&S screening, due diligence, and monitoring procedures to ensure that MSME portfolios supported under the Project align with responsible and sustainable business practices.

As part of this commitment, BoT will not support any activities listed under the Project's exclusion criteria. Furthermore, BoT, CGC, and PFIs will ensure that E&S risks are avoided, minimized, mitigated, or—where residual impacts remain—appropriately managed in accordance with good international industry practice, the applicable World Bank Environmental and Social Standards (ESS), and relevant national laws and regulations.

BoT will maintain and continuously strengthen its ESMS to guide decision-making and ensure effective E&S risk management throughout the Project lifecycle. To support this effort, BoT will provide capacity-building and training to the CGC, PFIs, and participating SMEs, ensuring that all stakeholders understand their roles and responsibilities in maintaining high E&S performance standards.

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List of Acronyms:

AfCFTA	African Continental Free Trade Area
BDS	Business Development Services
BOT	Bank of Tanzania
BRELA	Business Registration and Licensing Agency
CRS	Credit Reporting System
DFS	Digital Financial Services
E&S	Environment & Social
ESAP	Environmental and Social Action Plan
ESDD	Environmental and Social Due Diligence
ESF	Environmental and Social Framework
ESIA	Environmental and Social Impact Assessment
ESMS	Environmental and Social Management System
ESS	Environment & Social Standard
FAST	Financial Access for Sustainable and Transformational
FSDD	Financial Sector Development Division
GDP	Gross Domestic Product
GoT	Government of Tanzania
IEE	Initial Environmental Examination
IFC	International Finance Corporation
LOC	Line of Credit
MFI	Microfinance Institution
MIT	Ministry of Industry and Trade
MICT	Ministry of Information and Communication Technology
MIGA	Multilateral Investment Guarantee Agency
MNO	Mobile Network Operator
MOF	Ministry of Finance
MSME	Micro, Small, and Medium Enterprises
NBFI	Non-Bank Financial Institution
PBZ	People's Bank of Zanzibar
PCG	Partial Credit Guarantee
PCM	Private Capital Mobilization
PDO	Project Development Objective
PFI	Project Financial Intermediaries and Institution
PIU	Project Implementing Unit
POFP	President's Office Finance and Planning
POPI	President's Office Planning and Investment
PSC	Project Steering Committee
RGZ	Revolutionary Government of Zanzibar
SACCOS	Savings and Credit Cooperative Societies
SEA/SH	Sexual Exploitation and Abuse/Sexual Harassment
SEP	Stakeholder Engagement Plan

SIDO	Small Industry Development Organization
SMEs	Small and Medium Enterprises
SPV	Special Purpose Vehicle
TA	Technical Assistance
TADB	Tanzania Agriculture Development Bank
TBS	Tanzania Bureau of Standards
TOR	Terms of Reference
TRA	Tanzania Revenue Authority
WB	World Bank
ZBS	Zanzibar Bureau of Standards
ZEEA	Zanzibar Economic Empowerment Agency

1 Introduction

1. This environmental and social (E&S) management system has been developed specifically for the World Bank-supported Financial Access for Sustainable and Transformational (FAST) Growth Project's. They set out the environment and social (E&S) requirements that apply to all participating financial institutions (PFIs). They articulate the Bank of Tanzania's (BoT) E&S policy for this Project and establish the standards and processes to be followed to ensure consistency with international good practice. The Guidelines in the ESMS outline the procedures for E&S risk management to be implemented by the BoT, and PFIs, and provide guidance on the development and operationalization of environmental and social management systems (ESMS) by the project implementing entity and include a set of annexes designed to support effective and consistent ESMS implementation. The scope of this ESMS is limited to Component 1 and does not extend to activities under other project components. The policies and procedures contained herein are designed to allow one streamlined process to be used by the credit guarantee corporation (CGC) and the PFIs in their screening of beneficiaries to meet all of the project requirements. The process recognizes that the environmental impact of businesses is as varied as the businesses themselves and is designed so that PFIs and other users can get the required information from micro small and medium enterprises (MSMEs) applicants and make a determination regarding the level of risk associated with a specific business applicant including E&S risks as defined in this document. As noted above, the BoT will provide capacity building to PFIs and others. In addition, World Bank staff can provide guidance based on experience in other countries.

1.1 About FAST Growth Project

2. The BoT is the implementing agency for the World Bank (WB) supported FAST Growth Project in Tanzania. The Project aims to increase access to finance for MSMEs and to improve their competitiveness in high growth value-chains. It has four components¹. Of these four components, only Component 1 is funded by the IDA funding, and BoT will fund the remaining three components.

3. The objective of Component 1 is to facilitate access to finance to MSMEs through provision of partial credit guarantees to financial institutions under a newly established and licensed financial institution. The IDA funding will be disbursed for partial credit guarantees (PCGs) only. Disbursement of the PCGs will be done through an independent commercial Credit Guarantee Corporation (CGC), that will be established by the BoT to offer partial credit guarantees to eligible registered banks and financial institutions (FIs) to de-risk lending to MSMEs. The BoT will provide counterpart funding to support the set up, and operations of the newly established CGC and development of credit guarantees' regulatory framework.

4. The BoT will fund and implement the following sub-activities to inform and support the proper set up of the CGC:

- a. Development of a business plan including governance, management, operating model, financial projections and resource mobilization strategy for setting up of the CGC.

¹

- b. Securing the license for the CGC.
- c. Making the new CGC operational including putting up the minimum capital requirements, appointing the Board members, the key management staff and other requirements as stipulated in the Banking and Financial Institutions (Licensing) Regulations of 2014.
- d. Establishing the legal and regulatory guidelines for credit guarantees.

1.1.1 Project Beneficiaries

5. Direct Project beneficiaries of the FAST Growth Project will be MSMEs, including green/greening businesses, women owned businesses and farmers in Tanzania. Direct beneficiaries will benefit from the increased opportunities for them to access financing, improve their products and services, access markets, and lower their costs of doing business.

Definition of SMEs

Definition of SMEs adopted in National SME Development Policy of Tanzania.

Category of Enterprise	No. Of Employees	Capital Investment (Tsh)
Micro	1-4	≤ 5 mil.
Small	5-49	5 mil. ≤ 200 mil.
Medium	50 – 99	200 mil. ≤ 800 mil.
Large	100 +	800 mil. +

6. Other beneficiaries include the PFIs who will benefit from the partial credit guarantee. The PFIs will include banks, and microfinance institutions/banks (MFIs).

2 Potential E&S Risks and Impacts

7. The Project aims to support the growth of MSMEs in Tanzania through increased access to finance and business development services. The Project will support MSMEs in the value chains of sectors such as agro-processing, construction, fisheries, garment, information & communication technologies (ICT)/fintech, leather, livestock, manufacturing, minerals, tourism and transport. The Component 1 activities focus on facilitating the establishment of the CGC and provision of partial credit guarantees to PFIs to facilitate extension of diverse finance products to MSMEs.

8. Typically, MSMEs can be associated with a range of E&S risks due to the nature of their activities. These range from labor conditions and practices, resource usage, waste management, and community impact. The E&S risks in Component 1 will primarily arise from the operations and activities of the MSMEs themselves.

9. In Tanzania MSMEs play a critical role across various sectors, contributing significantly to economic growth and employment. In agro-processing, MSMEs add value by transforming raw agricultural products such as maize, rice, cassava, and coffee into finished or semi-finished goods,

including juices, jams, and flour, and handle the packaging and distribution to local and international markets. In the construction sector, MSMEs supply essential materials like cement, bricks, and steel, and act as contractors or subcontractors, providing renovation and maintenance services. Within fisheries, MSMEs are actively involved in fishing, fish processing, aquaculture, and logistics, supplying both fresh and processed fish products. In the garment industry, MSMEs manufacture a variety of clothing, from traditional garments to uniforms, engage in textile processing, and offer design and tailoring services, with some also involved in export. The ICT and fintech sectors see MSMEs developing software, apps, and digital solutions, providing financial technology services such as mobile payments, and operating e-commerce platforms. Leather MSMEs are engaged in tanning, producing leather goods, and creating artisanal crafts that cater to both local and export markets. In the livestock sector, MSMEs focus on cattle and poultry farming, dairy processing, and animal feed production. Manufacturing MSMEs produce a wide range of goods, including consumer and construction products, contributing to diverse industrial outputs. MSMEs in the minerals sector participate in small-scale mining, processing, and refining of minerals, supporting artisanal mining communities. In tourism, MSMEs offer tours, accommodation, and transportation services, operate hospitality establishments, and produce handicrafts and culinary experiences that attract tourists. In the transport sector, MSMEs provide public and tourist transportation services, logistics, vehicle maintenance, and marine transport, supporting both local and tourist mobility. Through these varied activities, MSMEs not only drive sectoral growth but also foster innovation, cultural heritage, and sustainable practices across the country.

10. While the role of MSMEs across these sectors can vary significantly in scale and scope, there are typical E&S risks that may arise depending on the specific activities undertaken by the MSMEs. Understanding and addressing these risks is crucial for understanding the mitigation and management strategies. For example, MSMEs in sectors such as agro-processing, fisheries, leather, and livestock may face challenges related to water pollution, waste management, and resource depletion. For instance, improper disposal of effluents in agro-processing and tanning can contaminate local water bodies, while overfishing and unsustainable agricultural practices can lead to loss of biodiversity and destruction of habitat. Construction and mining MSMEs are often associated with land degradation and air pollution due to emissions and dust from operations. Additionally, manufacturing MSMEs may contribute to air and water pollution and generate hazardous waste if not properly managed. The transport sector faces challenges with emissions and noise pollution, impacting urban environments and community health. Social risks across these sectors include labor rights violations, poor working conditions, and inadequate safety measures. In industries like garments, manufacturing, and construction, MSMEs may struggle with ensuring fair wages, preventing child labor, and providing safe work environments. MSMEs in tourism can impact local communities by displacing residents or contributing to cultural commodification. In the ICT and fintech sectors, while the physical risks may be lower, issues like data privacy, cybersecurity, and digital inclusion are prominent. Furthermore, MSMEs in livestock and fisheries must consider the welfare of their workers and the potential for conflicts over resource use with local communities.

11. This section outlines the typical E&S risks and impacts associated with MSME operations. This is a generic list of potential E&S risks and additional risks and impacts such as those mentioned in paragraph 10, may be present depending on the sector and context in which the MSME operates.

Environmental Risks:

- a) Waste Management: Improper disposal of solid and hazardous waste generated by MSME activities, such as manufacturing, construction, and agro-processing, can lead to pollution of land, water, and air.
- b) Water Pollution: MSMEs may discharge untreated wastewater containing chemicals, heavy metals, and organic pollutants into water bodies. Additionally, MSMEs may also dispose solid wastes and emit chemical into the air that mixed with rain water and fall into the water bodies. These unwanted materials when into water bodies, contaminating aquatic ecosystems and posing risks to human health and aquatic life.
- c) Air Pollution: Activities like manufacturing, construction, and transportation in the MSME sector can release air pollutants such as particulate matter, volatile organic compounds (VOCs), and sulphur dioxide (SO^2). Also, spraying of agrochemicals particularly pesticides on the farms lead to air pollution. These contribute to air pollution and respiratory illnesses.
- d) Deforestation: MSMEs involved in industries like logging, timber processing, and agriculture may contribute to deforestation and habitat destruction, leading to loss of biodiversity, soil erosion, and degradation of ecosystems.
- e) Energy Consumption: Inefficient energy use in MSME operations, such as reliance on fossil fuels and outdated technologies, can increase greenhouse gas emissions and contribute to climate change.
- f) Resource Depletion: Unsustainable extraction of natural resources, including water, minerals, and timber, by MSMEs can deplete local resources and disrupt ecosystems, affecting biodiversity and ecosystem services.
- g) Land Degradation: MSME activities like mining, quarrying, and agricultural expansion may result in land degradation, soil erosion, and loss of arable land, reducing soil fertility and productivity.
- h) Noise Pollution: MSME operations, such as manufacturing, construction, and transportation, may generate excessive noise levels, causing disturbance to nearby communities and impacting human health and well-being.

Social Risks:

- a) Elite capture in access to Project-supported financing: There is a risk that influential individuals or groups may monopolize access to Project-supported financing, excluding smaller or less connected MSMEs from benefiting. This could perpetuate economic inequalities and hinder the growth of the broader MSME sector.
- b) Gender discrimination or women's difficulties in accessing Project financing and benefits: Women entrepreneurs may face systemic barriers such as limited access to collateral, gender biases in lending practices, limited exposure to information, access to production technologies and unequal opportunities for capacity-building support.
- c) Labor and working conditions including deficient compliance with labor regulations: Some MSMEs may overlook labor regulations, leading to poor working conditions, unfair wages, HIV/AIDS in the workplace, addressing child labor, managing retrenchment, non-discrimination, equal opportunities and lack of employee protections.

- d) Occupational health and safety within the supported MSMEs: Many MSMEs may lack adequate safety protocols and infrastructure and safety gears, exposing workers to occupational hazards and health risks.
- e) Exclusion of vulnerable and marginalized groups (VMGs), persons living with disabilities, and youth: Vulnerable groups may face discrimination and marginalization in accessing Project benefits, exacerbating existing inequalities.
- f) Community health and safety concerns associated with the activities of beneficiary MSMEs: The operations of MSMEs can have environmental and social impacts on local communities, including pollution, noise, and waste disposal issues.
- g) Security risks especially in marginalized areas: MSMEs operating in marginalized or conflict-prone areas may face security threats such as theft, vandalism, or extortion, which can disrupt business operations and endanger employees.
- h) Lack of equal opportunity and awareness among MSME owners to ensure that all eligible enterprises can access Project benefits: Some MSME owners may lack awareness of available resources and support programs, leading to unequal access to Project benefits. Enhancing outreach efforts and providing capacity-building initiatives can help ensure that all eligible enterprises have equal opportunities to thrive.
- i) Minimal labor influx: MSMEs may struggle to attract and retain skilled labor due to limited job prospects, inadequate wages, or unfavourable working conditions. Investing in workforce development and creating favourable employment opportunities are essential for addressing labor shortages and fostering sustainable economic growth.
- j) Sexual Exploitation and Abuse/Sexual Harassment (SEA/SH) in the industry, especially, manufacturing and industries involving many workers: MSMEs in certain industries may be susceptible to sexual exploitation and harassment incidents, creating hostile work environments and undermining employee well-being. Implementing robust anti-harassment policies, organizing workshops, special radio and TV programs providing training on respectful workplace conduct, and establishing grievance mechanisms are critical steps for preventing and addressing SEA/SH risks within MSMEs.

12. Annex 16 provides sectoral E&S risks and impacts.

3 Applicable E&S Requirements

13. It is crucial to recognize that E&S risks are not uniform across all MSMEs and that the level of risk exposure is often proportional to the scale of MSME activities. The scale and nature of MSME operations typically result in smaller, more localized impacts that can be effectively managed with less complex frameworks tailored to their specific needs. As such, effective E&S risk management strategies must be tailored to the specific characteristics and capacities of each MSME, considering factors such as their size, sector, geographic location, and operational context. For instance, a small-scale agro-processing unit may have fewer environmental impacts compared to a medium-sized manufacturing plant.

14. Additionally, MSMEs may have limited resources and technical capabilities to address E&S risks compared to larger MSMEs. Hence, MSMEs require tailored risk management approaches that consider their unique operational contexts and capabilities.

15. It is, therefore, important to develop and adopt a nuanced approach to E&S risk assessment and mitigation, recognizing the diversity within the MSME sector and avoiding a one-size-fits-all approach. This means conducting relevant assessments to identify specific E&S risks associated with different types of MSMEs and developing customized mitigation measures that align with their capacities and needs.

16. The level of E&S risk associated with an MSME loan is typically lower compared to a large project. Applying the same stringent standards might be an excessive burden for MSMEs. Given this background, the E&S requirements for the Project include:

- a. Exclusion List (see Annex 1);
- b. Applicable local, provincial and national laws and regulations (see Annex 2); and
- c. Screening out of any substantial and high-risk activities (see Annex 3).

17. In addition, the World Bank group has Environment, Health & Safety (EHS) guidelines for the following sectors. These will be useful in guiding E&S risk management and should be considered relevant for the Project. These are available at <https://www.ifc.org/en/insights-reports/2000/general-environmental-health-and-safety-guidelines> and they include:

- Annual Crop Production (2016)
- Aquaculture (2007)
- Breweries (2007)
- Dairy Processing (2007)
- Fish Processing (2007)
- Food and Beverage Processing (2007)
- Mammalian Livestock Production (2007)
- Meat Processing (2007)
- Perennial Crop Production (2016)
- Poultry Processing (2007)
- Poultry Production (2007)
- Sugar Manufacturing (2007)
- Vegetable Oil Production and Processing (2015)
- Cement and Lime Manufacturing (2022)
- Ceramic Tile and Sanitary Ware Manufacturing (2007)
- Construction Materials Extraction (2007)
- Foundries (2007)
- Glass Manufacturing (2007)
- Metal, Plastic, Rubber Products Manufacturing (2007)
- Printing (2007)
- Semiconductors and Electronics Manufacturing (2007)
- Tanning and Leather Finishing (2007)
- Textiles Manufacturing (2007)

18. In all subprojects, the PFIs and MSMEs will adhere to national environmental, labor, and social laws and regulations to minimize adverse impacts.

19. The ESMS for all PFIs will account for the type of financial product being offered, such as lines of credit, loans, or guarantees. Each financial product carries different levels of E&S risks based on its structure and duration. For instance, longer-term loans may present higher environmental risks due to the extended timeframe, while guarantees might involve indirect risks depending on the nature of the project being financed.

20. Although substantial high-risk activities or MSMEs are excluded from the Project, any inclusion of such activities will require prior approval of the World Bank, and the World Bank Environment & Social Framework (ESF) will be applied to these projects. Additionally, the World Bank's prior permission will need to be obtained, and the Bank will clear all project-specific E&S instruments.

4 Implementation Arrangement for FAST Growth Project

21. The BoT will be the Implementing Agency (IA) for the Project. It will set up a commercial financial institution, referred to as the Credit Guarantee Corporation (CGC) CGC for the sole purpose of providing credit guarantees to PFIs (banks, and financial institutions). The CGC will be an independent commercial entity with public and private sector shareholders, its own Board of Directors, and qualified staff.

22. As part of implementation, the BoT will maintain a dedicated team to oversee the Project implementation, including facilitating the implementation of the ESMS, stakeholder engagement plan (SEP), and grievance mechanism (GM).

The role and responsibilities of BoT include:

- i) Ensure that all Project activities are implemented in full compliance with the World Bank's E&S requirements.
- ii) Plan and deliver capacity-building programs on E&S risk management for all implementing entities, including the CGC, PFIs, and participating MSMEs.
- iii) Maintain an adequate organizational structure with qualified staff and resources to manage E&S risks, including appointing and retaining a full-time, qualified Environmental and Social Officer dedicated to the Project.
- iv) Develop, disclose, adopt, maintain, and implement an ESMS consistent with ESS9², in a manner acceptable to the World Bank, as a condition for first disbursement of Project funds to BoT.
- v) Prepare and submit regular E&S performance monitoring reports to the World Bank. These reports should include:
 - ❑ progress on the Environmental and Social Commitment Plan (ESCP) implementation;
 - ❑ status of preparation and implementation of E&S instruments required under the ESCP;
 - ❑ capacity-building activities delivered to CGC, PFIs, and MSMEs;

² Available at <https://thedocs.worldbank.org/en/doc/484961530217326585-0240012018/original/ESFGN9June2018.pdf>

- implementation of BoT, CGC, and PFI ESMSSs;
- stakeholder engagement activities;
- functioning of the grievance mechanism(s).

vi) Notify the World Bank of incidents and accidents within 48 hours of becoming aware of any incident with potential significant adverse E&S effects on the environment, communities, workers, or the public—including SEA/SH. BoT shall submit initial information as soon as it becomes aware of the incident, followed by detailed updates as more information becomes available.

vii) Ensure that CGC (SPV) and PFIs maintain adequate E&S staffing, and assign or hire personnel responsible for E&S risk management, stakeholder engagement, grievance mechanisms, and gender-related issues. These requirements shall be included as conditions in the guarantee agreements between BoT, CGC, and PFIs.

viii) Ensure that the human resources policies of the CGC (the SPV) comply with ESS²³.

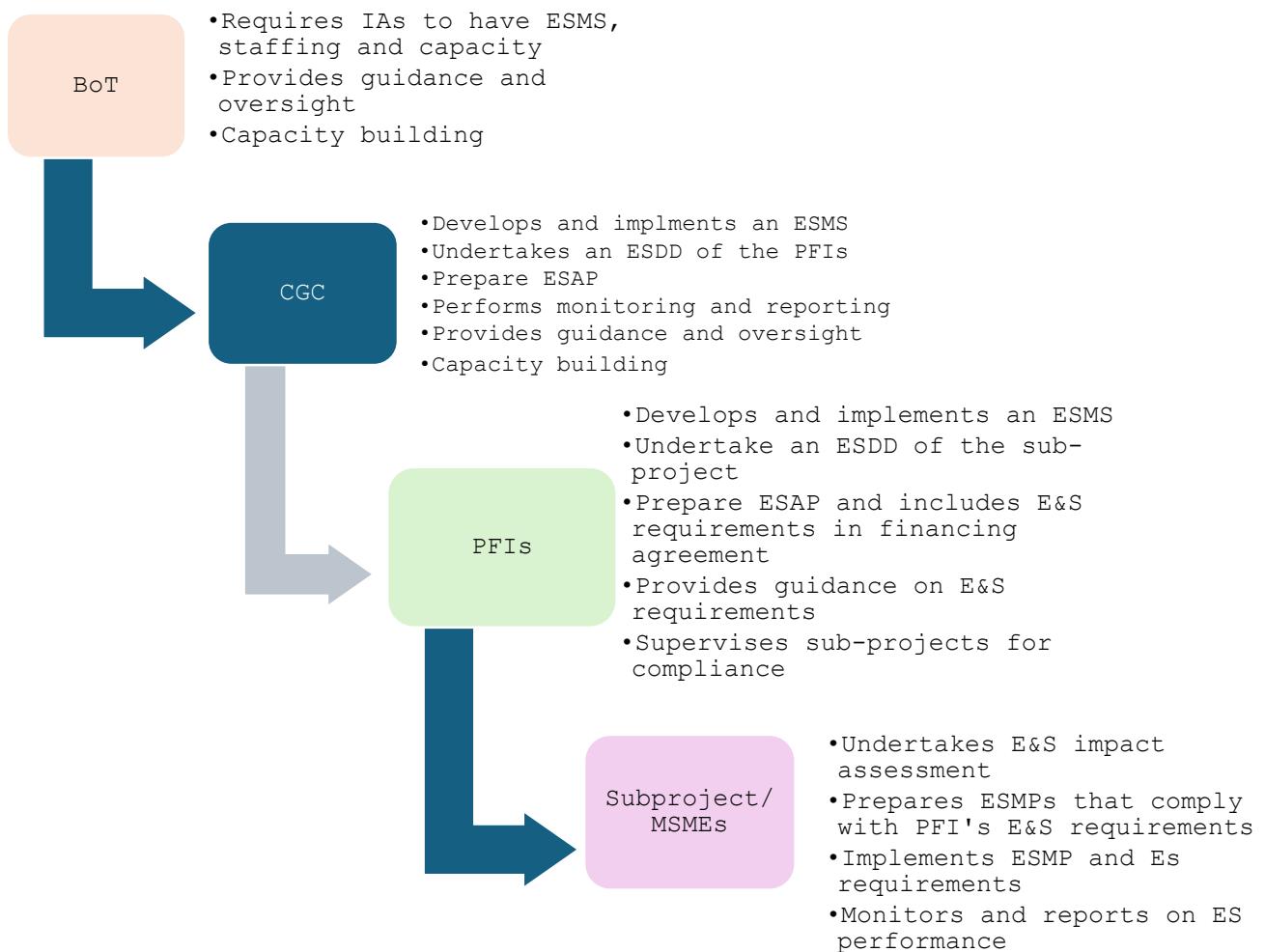
5 E&S Risks Management at BoT

23. The E&S risk management approach for the project is grounded in the principle of proportionality. This principle dictates that the level of assessment, mitigation, and monitoring should align with the scale and severity of the potential impacts and the specific activities to be implemented by different agencies.

24. This section outlines the E&S risk mitigation procedures for BoT and provides guidelines on the essential components of the ESMS for the CGC, and the PFIs. The following diagram illustrates the cascading down of E&S risk management responsibilities of the Project. This distribution of responsibilities will be facilitated through the integration of E&S compliance and reporting obligations into subsidiary agreements. These agreements will ensure that all parties involved adhere to a standardized framework for addressing E&S concerns, thus maintaining a consistent approach to sustainable Project management across different levels of implementation.

³ Available at <https://documents1.worldbank.org/curated/en/149761530216793411/ESF-Guidance-Note-2-Labor-and-Working-Conditions-English.pdf>

Fig 1: Flow of E&S Risk Management in the Project



5.1 E&S Procedures of BoT

25. Project funds will be routed through the BoT to CGC. BoT will establish the CGC as part of Component 1, and the CGC will issue partial credit guarantees to PFIs to facilitate financing to MSMEs.

26. Before the first disbursement of Project funds, BoT will ensure that the CGC, all PFIs accessing guarantees, and any other participating entities have adequate E&S procedures and the institutional capacity necessary to manage the environmental and social risks associated with their respective roles. BoT's core E&S responsibilities are summarized in Table 1 below:

Table 1: BoT Core E&S Responsibilities with Respect to Component 1

Project interface	Key E&S requirement
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BoT internal E&S responsibilities	<ul style="list-style-type: none"> Develop, disclose, and implement an ESMS that meets Project and World Bank ESF requirements. Establish internal E&S capacity to ensure effective ESMS implementation. Develop, disclose, and operate a functional grievance mechanism. BoT will review, on a sample basis, the E&S due diligence (ESDD) reports prepared by the CGC to ensure they are comprehensive and consistent with Project requirements. Reporting to the World Bank as per the agreed frequency. BoT will supervise Project E&S performance by reviewing monitoring reports submitted by the CGC and, where necessary, conducting site visits to CGC, PFIs, and SMEs. BoT will verify that the CGC and PFIs have functioning stakeholder engagement processes and grievance mechanisms, ensuring that concerns raised by stakeholders, including communities and workers, are addressed promptly and transparently. BoT will ensure that regular E&S performance reports from the CGC and PFIs are submitted and that relevant summaries are publicly disclosed where appropriate. Where non-compliance is identified, BoT will require the CGC—and through the CGC, the PFIs and SMEs—to implement corrective measures, such as revising ESMS procedures, enhancing capacity, or strengthening monitoring. <p>Refer section 6.1 for more details</p>
Oversight of CGC	<ul style="list-style-type: none"> BoT will review the CGC's ESMS to ensure full alignment with Project E&S requirements and confirm that it includes processes for risk identification, mitigation, monitoring, and reporting. BoT will require the CGC to assess the E&S capacity of PFIs seeking guarantees to ensure they have the institutional ability to manage and monitor E&S risks. Ensure that CGC provides guarantees only to PFIs that have developed and implemented an ESMS acceptable to BoT. Require CGC to submit regular reports to BoT on ESMS implementation and PFI compliance with E&S requirements.
Oversight of PFIs and SMEs	<ul style="list-style-type: none"> Ensure that CGC mandates PFIs to implement an ESMS aligned with ESS9 and acceptable to BoT. Ensure CGC cascades E&S requirements to PFIs and further to SMEs through guarantee agreements. Verify that PFIs maintain functioning grievance mechanisms and stakeholder engagement processes consistent with ESS10. Require CGC to confirm PFI E&S capacity at onboarding and throughout implementation. Require corrective actions from CGC, PFIs, and SMEs when E&S gaps or non-compliance are identified.

Capacity building across the Project	<ul style="list-style-type: none"> • BoT will design and deliver targeted E&S training programs for the CGC, PFIs, and SMEs to ensure all parties can meet their E&S responsibilities and effectively implement their respective ESMSs.
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5.2 Institutional Roles and Responsibilities

27. BoT will appoint a dedicated, full-time E&S Officer responsible for overseeing implementation of the ESMS and ensuring compliance with the Project's environmental and social requirements. This role is central to maintaining high E&S performance standards across CGC, PFIs, and MSME beneficiaries. The E&S Officer will act as the primary point of contact for all E&S matters, coordinate implementation efforts, track compliance, and provide technical guidance across all participating institutions. The following table outlines institutional roles and responsibilities:

Table 2: Institutional Roles and Responsibilities

Institution	Key Roles and Responsibilities
BoT Board	<ul style="list-style-type: none"> • Endorse and oversee implementation of the E&S Policy and ESMS. • Allocate sufficient resources for ESMS implementation. • Approve the ESMS and major updates. • Review ESMS implementation performance periodically.
BoT E&S Officer	<ul style="list-style-type: none"> • Lead ESMS implementation at BoT level. • Review and approve the CGC ESMS. • Coordinate E&S risk management across CGC, PFIs, and MSMEs. • Ensure that subsidiary and guarantee agreements include required E&S provisions. • Receive and review E&S monitoring reports from CGC. • Prepare and submit consolidated E&S monitoring reports to the World Bank. • Serve as the focal point for E&S communication with the World Bank. • Coordinate regularly with the CGC E&S team on implementation progress and issues. • Monitor CGC and PFIs to verify compliance with E&S requirements and prepare monitoring reports. • Plan and deliver E&S capacity-building activities for CGC, PFIs, and MSMEs. • Ensure effective functioning of grievance/ external communication and grievance mechanisms and maintain records of complaints and inquiries.

5.3 Monitoring

28. BoT will require the CGC to submit an annual E&S monitoring report, prepared using the format provided in Annex 13. The report must detail:

- E&S due diligence conducted by the CGC
- PFI compliance with ESMS requirements
- MSME-level performance (as relevant)
- Any incidents or non-compliance identified
- Corrective actions taken

To supplement this reporting, BoT may:

- Conduct review meetings with the CGC
- Undertake on-site verification visits to the CGC, PFIs, and selected MSMEs
- Request additional information or clarifications where needed

29. These measures will ensure continuous oversight and maintain alignment with World Bank ESS9 and Project E&S requirements.

5.4 Capacity building and training

30. BoT will design and deliver E&S training programs to strengthen capacity across the CGC, PFIs, and MSMEs. These programs are essential to ensuring that all stakeholders have the skills and knowledge necessary to implement their E&S responsibilities effectively.

Table 3: E&S Trainings

Institutional Level	Training Topics	Duration
CGC and PFIs	<p>Training for the CGC and PFIs will cover:</p> <ul style="list-style-type: none"> a) BoT ESMS and Project-specific E&S requirements b) E&S risks in MSME lending and guarantee portfolios c) Conducting Environmental & Social Due Diligence (ESDD) for PFIs and MSMEs d) Implementing and monitoring ESMS at institutional levels e) Identifying and managing financial-sector E&S risks f) National environmental and labour regulatory frameworks g) World Bank ESF, particularly ESS9 and ESS2 h) Effective stakeholder engagement and grievance handling 	1–2 days
SMEs	<p>MSMEs will receive practical, tailored training on:</p> <ul style="list-style-type: none"> a) Project-specific E&S requirements b) Typical E&S risks in MSME operations c) National compliance requirements d) Screening, assessing, and mitigating E&S risks e) E&S reporting expectations f) Stakeholder engagement and grievance procedures g) Relevant aspects of the World Bank ESF 	1–2 days

5.5 Stakeholder Engagement and Grievance Mechanism

31. BoT has prepared and will disclose a Project-specific Stakeholder Engagement Plan (SEP) and grievance redress mechanism (GRM), on the BoT website. These instruments outline the communication, consultation, and grievance-handling arrangements applicable to all Project stakeholders. BoT will ensure:

- The GRM remains functional and accessible
- CGC and PFIs adopt and implement their own external communication mechanisms/ GRMs ⁴consistent with Project requirements
- Grievances are documented, tracked, and resolved promptly
- Serious grievances and systemic patterns are escalated and addressed

32. Detailed procedures for grievance redress are provided in Annex 17.

5.6 Coordination with World Bank

33. Throughout implementation of the FAST Growth Project, BoT will maintain continuous coordination with the World Bank on E&S matters. BoT responsibilities vis a vis the WBG reporting include:

- a) **Submission of ESMSs:** Submit the ESMSs of the CGC and PFIs to the World Bank for review and, where required, clearance.
- b) **Substantial and High-Risk Pipeline Cases:** Notify the World Bank whenever a PFI intends to support an MSME classified as *Substantial* or *High* E&S risk, and submit initial screening information, proposed scope of environmental and social due diligence (ESDD), and any available documentation. ESDD will begin only once the World Bank has cleared the funding and the ESDD scope.
- c) **Submission of ESDD materials:** Provide the World Bank with ESDD reports, draft environmental and social action plans (ESAPs, refer Annex 6 for a template), and any supporting studies, including terms of references (TORs), for all Substantial and High-risk subprojects being considered by PFIs.
- d) **Incident Reporting:** Notify the World Bank within 48 hours of becoming aware of any incident, accident, or situation that may materially affect compliance with E&S requirements. A brief initial report must be followed by a detailed corrective action plan and root cause analysis within an agreed timeframe (template in Annex 14).
- e) **Annual E&S Reporting:** Submit the annual consolidated E&S monitoring report to the World Bank.
- f) **Training Support:** Coordinate with the World Bank on E&S training support for CGC and PFIs.

⁴ Description of a communication mechanism/GRM for PFIs is described in section 7.1.

34. All communication related to the above will be coordinated by the BoT E&S Officer and sent to the World Bank Task Team Leader and relevant specialists.

6 Guidance on CGC's ESMS

35. To receive Project funding from BoT, the Credit Guarantee Corporation (CGC) must develop and implement a robust Environmental and Social Management System (ESMS). Establishing an ESMS is a precondition for receiving Project funds under the FAST Growth Project. The ESMS shall:

- a. articulate the CGC's E&S Policy;
- b. define institutional roles and responsibilities;
- c. establish detailed procedures for E&S appraisal and monitoring of PFIs and guaranteed portfolios;
- d. set out requirements for training and capacity building;
- e. include external communication and grievance mechanisms; and
- f. be endorsed by CGC senior management and publicly disclosed on the CGC website.

6.1 Role of the CGC Under Component 1

36. Under Component 1, the BoT will establish the CGC as an apex credit guarantee institution providing PCGs to PFIs to expand access to finance for MSMEs. CGC will therefore be responsible for:

- a. identifying eligible PFIs,
- b. issuing partial credit guarantees at portfolio level and, where applicable, at individual loan/project level,
- c. ensuring E&S compliance throughout the guaranteed portfolios, and
- d. reporting Project-related E&S performance to BoT.

6.2 Key E&S Requirements for the CGC

37. The Project requires CGC to:

- i) Develop, maintain, and implement an ESMS consistent with ESS9.
- ii) Require all PFIs to maintain and implement an ESMS acceptable to CGC and BoT.
- iii) Cascade E&S obligations to PFIs and SMEs through guarantee agreements.
- iv) Submit E&S monitoring reports to BoT at agreed intervals.
- v) Establish qualified internal capacity, including hiring a full-time E&S Officer.
- vi) Ensure PFIs require their MSME borrowers to conduct E&S screening and prepare E&S instruments (e.g., E&S management plans (ESMPs), E&S impact assessment (ESIA), Initial environmental examination (IEE)) as applicable before loan approval.
- vii) Require PFIs and MSMEs to submit E&S monitoring reports based on agreed formats.
- viii) Notify BoT within 48 hours of any incident or accident involving PFIs or MSMEs with potential significant E&S impacts, including SEA/SH.

ix) Verify that PFIs' HR policies comply with ESS2 (labor and working conditions).

6.3 Required Elements of the CGC ESMS

38. The ESMS of the CGC must comprise the following core elements:

- a. Environmental and Social Policy
- b. Procedures for E&S risk identification, assessment, and management for partial credit guarantee operations
- c. Institutional capacity, staffing, roles and resources
- d. Procedures for monitoring and reviewing the E&S performance of PFIs and guaranteed portfolios
- e. External communication and grievance mechanisms

39. The ESMS of the CGC should include the following procedures:

Table 4: CGC ESMS procedures

Steps	Details	Annex
Step 1: PFI E&S Eligibility	<p>Under this step, CGC must first assess whether a PFI is eligible to receive a partial credit guarantee. The CGC evaluates whether a PFI has the institutional capacity, ESMS, governance systems, and operational readiness required to participate in the guarantee program. Only PFIs that meet these eligibility criteria may apply for portfolio or project-level guarantees. Screening must confirm:</p> <ul style="list-style-type: none">• The PFI has an ESMS aligned with ESS9.• The PFI has designated E&S staff / focal point(s).• The PFI has HR policies compliant with ESS2.• The PFI agrees to implement the Project exclusion list.• The PFI can screen SME loans by risk category (Low/Moderate/Substantial).• The PFI commits to incident reporting (within 48 hrs) and E&S monitoring.• If the PFI fails to meet minimum criteria, CGC will require corrective actions or exclude the PFI. <p>This screening will be done at the time of registering PFIs for the partial guarantee scheme.</p>	Annex 4
Step 2: Initial E&S Screening	<p>B. Portfolio-Level Screening (for Portfolio Guarantees)</p> <p>When CGC issues a portfolio guarantee, it must:</p> <ul style="list-style-type: none">• review the characteristics of the proposed SME portfolio (sector mix, risk profile);• verify that the portfolio does not include any excluded activities;	Annex 1, 2, 3

<ul style="list-style-type: none"> • confirm that PFIs will apply E&S screening and monitoring procedures to all loans covered under the guarantee; • confirm that high-risk (ESS1 Category High) activities are excluded. • If excluded activities are identified, the portfolio is ineligible until corrective actions are taken. <p>Subproject/MSME-Level Screening (For Individual Loan Guarantees)</p> <p>When CGC issues a project-level guarantee, it must confirm that:</p> <ul style="list-style-type: none"> • the MSME subproject is screened by the PFI using an approved checklist; • the activity does not fall under the Project exclusion list; • the risk category assigned by the PFI is reasonable; • required E&S instruments (e.g., ESMP, ESIA, IEE) are prepared and reviewed before loan approval; • national regulatory permits are in place. <p>If the MSME falls under any excluded category, the guarantee application is rejected immediately.</p>	
<p>Step 2: ESDD</p> <p>CGC will apply ESDD to:</p> <ul style="list-style-type: none"> • PFIs seeking eligibility, • proposed guarantee portfolios, and • MSME subprojects receiving individual guarantees. <p>ESDD must include:</p> <ul style="list-style-type: none"> • Review of the PFI's E&S policy and commitments • Assessment of organizational structure, staffing, and capacity • Review of PFI ESMS and past performance • Examination of PFI monitoring systems and reporting quality • Sector-specific E&S risk assessment (depending on portfolio composition) • Corrective Actions: CGC must prepare an E&S Action Plan (ESAP) where gaps are identified. • CGC may request anonymized sample loan files to verify PFI compliance. 	Annex 6, 7
<p>Step 3: Legal Documentation</p> <ul style="list-style-type: none"> • The CGC will ensure that guarantee agreements include: • E&S obligations for PFIs; • requirement to implement ESG/E&S corrective actions per ESAP; • obligation to submit periodic E&S monitoring reports; • requirement to report incidents within 48 hours; 	Annex 5

<ul style="list-style-type: none"> • requirement for MSMEs to comply with national law and prepare E&S instruments. 	
<p>Step 4: E&S monitoring</p> <p>CGC must establish a monitoring mechanism to ensure compliance after the guarantee is issued. Monitoring will include:</p> <ul style="list-style-type: none"> • Review of PFI periodic E&S reports • Review of MSME-level reports (as relevant) • Portfolio-level monitoring for aggregated risks • On-site verification visits (sample-based) • Follow-up on ESAP implementation • Review of incident and accident reports • Summary reporting to BoT • CGC must adopt reporting formats consistent with BoT requirements. 	Annex 8

7 Guidance on ESMS of PFIs

40. This section provides guidance for PFIs that will receive partial credit guarantees from the CGC. The purpose is to support PFIs in developing or strengthening their ESMS, with a specific focus on MSME lending activities that will be covered under the FAST Growth Project.

41. PFIs will identify eligible MSMEs, conduct E&S due diligence, and supervise MSME borrowers to ensure ongoing compliance with Project requirements. PFIs must therefore maintain adequate systems, staff capacity, and procedures to manage the environmental and social risks associated with their MSME lending portfolio. The specific requirements for PFIs include:

- i) Maintain and implement an ESMS consistent with ESS9.
- ii) Maintain an organizational structure, qualified staff, and sufficient resources to manage E&S risks effectively.
- iii) Ensure that beneficiary MSMEs comply with the following requirements:
 - Conduct E&S assessments proportionate to the nature and risk of their activities, and prepare and implement ESMPs (or other tools) as applicable.
 - Establish a workers' grievance mechanism, consistent with national labor law and ESS2.
 - Comply with all applicable national E&S laws and regulatory requirements.
 - Provide regular E&S monitoring information and reports to the PFI.
 - Notify the PFI within 48 hours of any significant incident or accident, including SEA/SH, that may materially impact workers, communities, the environment, or public safety.
 - Maintain adequate E&S capacity and staff commensurate with their operations and associated E&S risks.
 - Adhere to relevant OHS requirements, including screening and preparation of OHS-related instruments, and obtain necessary licenses and permits.

- Develop and implement a grievance mechanism appropriate to the scale and risks of the SME's activities.
- iv) Submit regular E&S performance reports to the CGC as per agreed formats.
- v) Notify the CGC within 24 hours of becoming aware of any serious incident or accident related to the Project, including SEA/SH, with potential significant adverse impacts.

42. The ESMS of PFIs should include the following elements:

- i) E&S Policy
- ii) Procedures for identification, assessment and management of E&S risks for new loans financed under the Project
- iii) Institutional Capacity and resources
- iv) Monitoring, review, and reporting of the E&S performance for PFIs and MSMEs in the guaranteed portfolio
- v) Grievance mechanism/external communication mechanism to receive, review and respond to stakeholder concerns and questions about the Project.

43. Each element is explained below in some detail:

- (i) **E&S Policy:** E&S policy articulates the PFI's commitment to managing E&S risk and integrating E&S considerations into its lending decisions. The policy should be approved by senior management and communicated to all relevant staff and clients.

Sample E&S Policy

[PFI Name] is committed to:

- i) Reviewing, assessing, and monitoring all operations against E&S requirements.
- ii) Integrating E&S risks into lending decisions.
- iii) Supporting subprojects that are developed and operated consistent with applicable E&S requirements.
- iv) Allocating sufficient resources for effective ESMS implementation.
- v) Ensuring all staff understand their roles in E&S risk management.
- vi) Establishing protocols to confirm ESMS implementation and ongoing compliance.
- vii) Promoting transparency through internal and external reporting.

The E&S Policy will be reviewed annually or as needed to reflect changes in regulatory requirements or best practices.

- (ii) **E&S Procedures:** E&S procedures define steps that a PFI will implement to identify, assess, and manage E&S risks throughout the lending and investment process. This includes conducting due diligence on potential clients, categorizing projects based on risk levels, and implementing appropriate mitigation measures. Additionally, the PFI should monitor ongoing projects to ensure compliance with E&S standards and adapt procedures as

necessary to address emerging risks. The following sample E&S tools are provided in the following annexes:

- Annex 9 provides the MSME application form.
- Annex 10 provides the initial screening template (including exclusion list review, risk identification, and determining ESDD requirements).
- Annex 3 provides E&S categorization guidance.

44. It is recommended that PFIs conduct an ESDD for all potential investments and SMEs. The ESDD of low to medium risk MSMEs/subprojects may be done internally, while external E&S consultants must be hired for MSMEs that have high risks and where long-term funding is sought. It is important to note that high and substantial-risk MSMEs and activities are excluded from the Project. However, if PFIs wish to invest in any high or substantial-risk SMEs, they must first obtain prior approval from the BoT. Annex 11 provides a TOR for ESDD.

45. During the ESDD process, PFIs are responsible for ensuring that MSMEs have adequately assessed the E&S risks and impacts associated with their operations. This involves a thorough review of the MSME's assessment by the PFI to confirm its comprehensiveness, accuracy and relevance to the project's scale and complexity. If the initial assessment is deemed inadequate, the PFI may request the MSME to conduct further supplementary assessments to address any gaps. However, it is crucial to emphasize that the extent of E&S assessment must be proportionate to the specific activities of the MSME. While some MSMEs engaged in higher-risk activities may require an ESIA, others with lower-risk profiles may only need a more basic assessment. It's important to note that substantial and high-risk activities are excluded from the project, ensuring that only MSMEs with manageable E&S risks are considered within the scope of the project. The approach should be flexible and tailored to ensure that E&S risks are managed appropriately without imposing unnecessary burdens on MSMEs.

Box 1: Environmental and social impact assessment (ESIA) requirements

When an ESIA is required:

Not all MSMEs are required to undertake an ESIA. An ESIA is required only when:

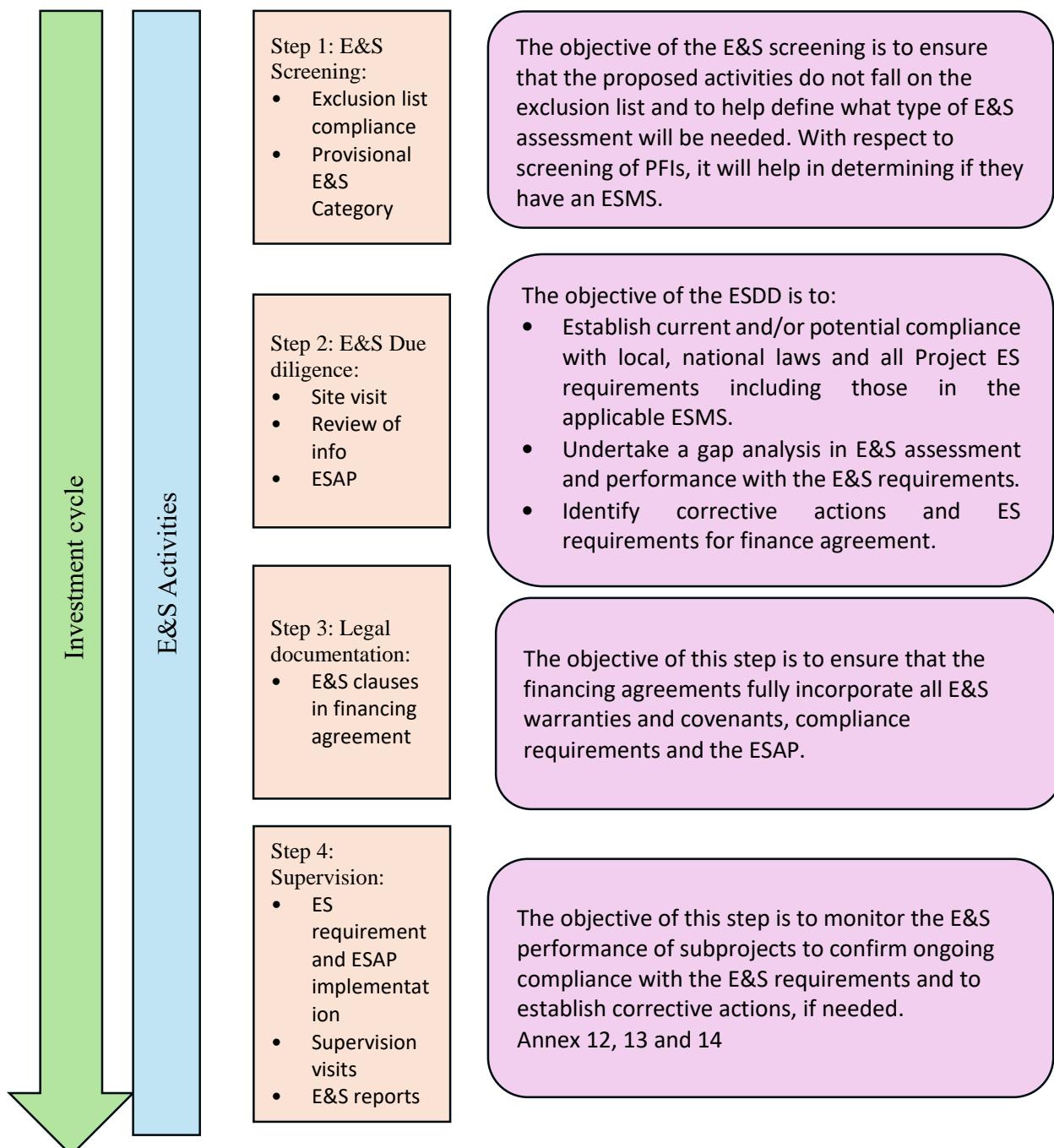
1. **Substantial and High-Risk Activities:** When the MSME is involved in activities or industries that are known to have significant E&S impacts, such as mining, large-scale agriculture, or heavy manufacturing. Examples include:
 - Establishing a new mining operation or quarry.
 - Expanding or constructing a large-scale agricultural plantation.
 - Setting up a manufacturing facility with significant emissions or waste generation.
2. **New Projects or Expansions:** When the MSME is planning a new project, expansion, or significant modification of existing operations that could alter local environments or communities. Examples include:
 - Building a new factory or processing plant.
 - Expanding existing production capacities or facilities.
 - Introducing new processes or technologies that significantly increase resource use or emissions.

3. Land Use and Habitat Alteration: When the activities involve significant land use changes, deforestation, or habitat destruction. Examples include:
 - Clearing large tracts of land for industrial or agricultural use.
 - Projects near ecologically sensitive areas such as wetlands, forests, or protected areas.
4. Potential Community Impact: When the project might affect local communities, including displacement, resource access, or social dynamics. Examples include:
 - Expansion activities that require land acquisition or relocation of communities.
 - Projects that may alter local water supplies or access to resources for surrounding communities.

All ESIAs must meet the World Bank ESF requirements.

46. The following diagram shows the procedures that PFI's ESMS should include.

Chart 1: ESMS procedures



47. Institutional capacity: PFIs must have qualified staff or resources to effectively implement their ESMS. While PFIs may appoint existing staff as their E&S manager or officer, they must be able to demonstrate technical capacity either through in-house expertise or by engaging external

E&S consultants. The ESMS of PFIs should clearly outline the institutional arrangements, including defined roles and reporting lines.

7.1 External Communication Mechanism

48. The PFIs must have (or establish as needed) an external communication mechanism/grievance mechanism offering beneficiaries and stakeholders a platform to voice their concerns and grievances not only customer service. The external communication mechanism can be integrated within the ESMS or developed as a separate document. This mechanism will be accessible to all stakeholders, including those affected by the operations of PFIs and MSMEs financed under the FAST Growth Project. It must outline the procedures for assessing, resolving, and responding to complaints and inquiries.

49. The PFIs will specify the various channels through which inquiries and complaints can be submitted. These could include an online complaint form, email, telephone, and postal address.

50. The mechanism will provide clear guidelines and procedures for gathering, reviewing, resolving, and reporting complaints. This will enable the PFIs to identify, monitor, measure, and manage reputational risks associated with service delivery and interactions with external stakeholders.

Annex 1: Exclusion List

The following list of activities shall be ineligible for financing under the Project:

- i. Any activities involving adverse impacts on biodiversity conservation and sustainable management of living natural resources.
- ii. Any activities that have adverse impacts on cultural heritage as defined under ESS 8.
- iii. MSMEs that are not compliant with in country EHS regulatory requirements
- iv. Trade in wildlife or wildlife products regulated under Convention on International Trade in Endangered Species (CITES)
- v. Production or trade in radioactive materials (this does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where the Association considers the radioactive source to be trivial and/or adequately shielded).
- vi. Drift net fishing in the marine environment using nets in excess of 2.5 km in length.
- vii. Purchase of logging equipment for use in cutting forests.
- viii. Production or trade in wood or other forestry products other than from sustainably managed forests
- ix. Production or trade in pharmaceuticals subject to international phase outs or bans.
- x. Production or trade in pesticides/herbicides subject to international phase outs or bans.
- xi. Fishing in the marine environment using electric shocks and explosive materials.
- xii. Any activities that would curtail workers fundamental rights. These would include: (i) all forms of forced or compulsory labor; (iii) child labor, including without limitation the prohibition of persons under 18 from working in hazardous conditions (which includes construction activities), persons under 18 from working at night, and that persons under 18 be found fit to work via medical examinations.
- xiii. Commercial logging operations in primary tropical moist forest.
- xiv. Production or trade in products containing Polychlorinated biphenyls (PCBs).
- xv. Production or trade in ozone depleting substances subject to international phase out.
- xvi. Production, trade, storage, or transport of hazardous chemicals, or commercial scale usage of hazardous chemicals (includes gasoline, kerosene, and other petroleum products).
- xvii. Production or trade or use or storage of dyeing chemicals and dye intermediaries.
- xviii. Production or activities that impinge on the lands owned or claimed under adjudication, by indigenous peoples, without full documented consent of such peoples.

Annex 2: National E&S Regulations

1. The Tanzanian policy, legal, and regulatory framework for E&S risk management includes elements spanning the national, sectoral, and local levels. This annex provides a summary of the relevant national environmental and social (E&S) legislation applicable to the project. However, for comprehensive and detailed information, it is recommended to refer directly to the full text of the laws and regulations. It is important to note that the project must comply with the national E&S requirements in force at the time of the project investments, ensuring all obligations under current laws are met.

A. Policy Framework

2. The Tanzania Development Vision 2025 and third Five Year National Development Plan (FYDP III 2021/22-2025/26) acknowledge the Environment and natural resources as the basis of national development. The national E&S risk management policy has been recently updated via the National Environmental Policy (NEP, 2021) and National Strategic Plan (2022). The NEP sets forth the objectives, commitments, and implementation arrangements for addressing the issues identified in NEP 1997 and makes policy commitments in new areas, including crosscutting issues. The National Environmental Master Plan for Strategic Interventions (NEMPSI) (2022-2032) is a 10-year government plan to implement the NEP (2021) that sets forth a series of intervention options. The NEP is further supported by sectoral policies, which are further elaborated via strategies, programs, and plans on specific issues. The main law for implementation of NEP (2021) and NEMPSI (2022-2032) is the Environmental Management Act (2004, Cap.191).

3. ***The Environmental Management Act (EMA, 2004)***. This framework law, which effectively supersedes all other legislation on environment issues (except for the Constitution), provides legal and institutional framework for the environmental management in Tanzania. Specifically, it defines management instruments, establishes roles and responsibilities for key actors at all levels, and requires the application of specific planning, assessment, and management methods and tools based on the nature, scale, and location of potential impacts. These instruments include the EIA, Environmental Audit, and Strategic Environmental Assessment (SEA). They are currently in various stages of development and application. The Act also requires that proponents provide adequate human and financial resources for monitoring the implementation of Environmental and Social Management Plans (ESMPs) and meeting all conditions stipulated in the Environmental Impact Assessment (EIA).

4. ***Supporting Legislation***. Four (4) sets of regulations define the methods, tools, and responsible parties for the various types of assessments in different types of Projects:

- Regulation 4A(1) of the EIA and Audit (Amendment) Regulations (2018), which classifies Projects into four categories ("A" for EIA mandatory Projects, "B1" for borderline Projects, "B2" for non- mandatory Projects, and "Special Category") based on their nature, extent, and level of impact; and Regulations 5-10, which describe the scope, procedure, approach, and methodology for the preparation of Project Briefs and Scoping Reports for Category A, B1 and B2 Projects;
- Regulation 18 of the EIA and Audit Regulations (2005), which describes the contents of the Environmental Impact Statement for Category A projects;

- Registration and Practice of Environmental Experts Regulations (2021), which presents the code of conduct for qualified experts conducting assessments; and
- Fees and Charges Regulations (2021) which guide Project proponent payment of EIA costs.

5. The EIA process is further detailed in general and sector-specific subsidiary regulations and guidelines that support the execution of the instruments it defines, including the requirement that an EIA must be done prior to Project approval. The Environmental Impact Assessment and Audit Regulations (2005) and EIA Amendment Regulations (2018) define the key actors in the assessment, management, and monitoring of E&S impacts for Projects at all stages and detail the requirements according to a Project's nature, scale, and level of impact. The EMA (Section 83) requires that EIAs be done by qualified, experienced experts, following the code of conduct found in the Environmental Management (Registration and Practice of Environmental Experts) Regulations (2021). The responsibility of Project proponents to pay EIA costs is determined by the Environmental Management (Fees and Charges) Regulations (2021). The Tanzania National Guidelines for Strategic Environmental Assessment (2017) provide guidance on the conducting of SEA. Other regulations detail standards and criteria in specific areas. The EIA Guidelines and Procedures (vols.1-5) and EIA Guidelines for Onshore and Offshore Oil and Gas Development (2016) provide further detail.

6. **Social Impact Assessment (SIA).** Among the EMA's basic principles are the right to a clean, safe, and healthy Environment, right to access to the Environment for recreational, educational, health, spiritual, cultural, and economic purposes, and right to bring an action where these are threatened. The EIA Regulations stipulate that consideration be given to social aspects in specific sections of the EIA Report. The Project justification is mainly focused on socio-economic aspects, the policy, legal and institutional framework covers Gender, Land, Employment, and HIV/AIDs, among other aspects, the baseline conditions cover the socio-economic conditions of affected communities and any direct socio-economic impacts of the Project on them, stakeholder engagement requires that stakeholder views be captured in the consultation process, impact identification includes social impacts, and the development of an Environmental and Social Monitoring Plan and Environmental and Social Management Plan listing both Environmental and Social likely impacts and corresponding mitigation measures.

Zanzibar

7. **The Zanzibar Environmental Policy (ZEP).** ZEP was passed in 2013, replacing the earlier ZEP (1992). It sets for priorities for a range of sectors, including Water, Forestry and Non-renewable Natural Resources, Tourism, Energy, Fisheries and Marine Resources, Health, Agriculture and Livestock, Lands, Industries, Infrastructure, Disaster Management, and Local Government. Cross cutting issues considered Climate Change, Gender Mainstreaming, Education, NGOs, Private Sector, and Collaboration with International Development Partners.

8. **The ZEMA.** The Zanzibar Environmental Management Act (ZEMA) No.3 (2015) sets forth the environmental and social management instruments, defines permitting requirements, and bestows enforcement powers and coordinating roles and responsibilities for government authorities at all levels and for all sectors and spectators. Although other laws define the environmental mandates of sector-specific authorities, the ZEMA supersedes other legislation in this regard except for the Constitution. The Act further defines the main environmental

management tools, including Environmental Impact Assessment (EIA), Environmental Audit, Strategic Environmental Assessment (SEA, primarily designed to guide implementation of strategies and programs),⁴⁵ Pollution Prevention and Waste Management, Biodiversity Conservation, Environmental Education and Research, Integrated Coastal Zone Management, Climate Change Adaptation, Non- Renewable Natural Resources, and measures to address environmental emergencies. These instruments are supposed to be mainstreamed in all sectors and crosscutting aspects defined by ZEP (2013). The ZEMA makes EIA a legal requirement for all Projects with environmental and social risks and impacts.

B. Environmental Impact Assessment (EIA) has been mainstreamed across various government Projects.

9. ***Zanzibar Local Government Authority Act (2014)***. This Act establishes LGA structures, their areas of jurisdiction, powers, and functions, including the Environment and the sustainable management of land and natural resources. It specifies general functions of the Council, including maintenance of environmental sanitation, environmental pollution control, and prevention and control of public and private nuisances. Under the Act, LGAs are tasked with supervising and ensuring measures to combat epidemic diseases, control extraction of stone, sand, wood and other forms of natural resources, undertaking forestation and urban forestry initiatives, managing, controlling, and regulating the use of land as defined and allotted under the land-use plan, and addressing such cross-cutting issues as HIV/AIDS, Climate Change, Disaster Management, and population issues. The Act provides powers to an authorized LGA Officer to enter premises to confirm whether a development has been granted a permit and defines offences and unauthorized land use.

Institutional Framework

10. The EMA, following the National Environment Policy (1997 and 2021), establishes a comprehensive institutional and administrative framework for environmental management at all levels, assigning clear responsibilities to key government decision makers and mandating the responsible national-, sectoral-, and local-level authorities to address specific aspects under the coordination of the Minister Responsible for Environment. The NEP (2021) shifts the focus from positions to institutions (neither scheme assigns specific responsibilities to the VPO). The NEP (2021) assigns specific functions to four authorities under the VPO's administration: (1) the Minister Responsible for Environment; (2) the Director of Environment; (3) the National Environmental Advisory Committee (NEAC); and (4) the National Environment Management Council (NEMC). The EIA and Audit Regulations (2005) and Environmental Management (EIA and Audit) (Amendment) Regulations (2018) detail the functions of additional institutions, in effect assigning responsibilities to all parties in the EIA process. Institutions with specific responsibilities for the implementation of NEP 2021, NEMPSI 2022-2032, the EMA and the E&S Regulations are: (1) the Minister Responsible for Environment; (2) the Sectoral Ministries; (3) the National Environment Management Council (NEMC); (4) the Regional Secretariats; (5) the Local Government Authorities (LGAs); (6) the National Environmental Advisory Committee (NEAC); and (7) the Environmental Appeals Tribunal (EAT). NEP 2021 expands this framework to include new actors that provide financial and technical resources, as well as participants and recipients of technical knowledge, environmental information, communication, education (government

departments agencies, local communities, academic and research institutions, and media, etc.). Each of the main actors in the EIA process is discussed below.

11. ***The Vice President's Office (VPO)***. The Vice President's Office has a mandate that includes the providing of environmental guidance and interventions, development of guidelines, oversight of standards, issuing of EIA permits based on NEMC's recommendations and ensuring that environmental aspects are adequately incorporated into Project implementation by LGAs and ministries, according to the ten-year Environmental Master Plan. According to the EMA and NEP 2021, there are four environmental management authorities under the VPO's administration: (1) the Minister Responsible for the Environment; (2) the Director of Environment; (3) National Environmental Advisory Committee (NEAC); and (4) the National Environment Management Council (NEMC). LGA Environmental Officers report quarterly on environmental issues to their Regional Offices, which in turn report to PO-RALG, which then reports to the VPO, which uses the reporting as the basis for the preparation of a State of the Environment Report. The VPO has an Environmental Officer and Sociologist with responsibilities that include coordination and awareness raising. VPO staff also participate, together with NEMC, in Project monitoring on an as-needed basis (mainly for major Projects).

12. ***Minister responsible for Environment***. Established under the EMA, with a mandate to issue guidelines and regulations and assign responsibilities to other government actors on the Environment, the Minister Responsible for the Environment is responsible for the issuing of Decision Letters/EIA Certificates approving Project EIAs. The Minister may delegate this responsibility to the Director of Environment, LGAs, and/or Sectoral Ministries. The Director of Environment (DoE) is responsible for coordinating, advising, assessing, monitoring, and reporting on environmental issues and activities, including policymaking and implementation, environmental policy-related research, coordination and monitoring, and promoting the integration of environmental aspects into development policies, plans, programs, strategies and Projects. The DoE's specific responsibilities include: (1) coordinating the implementation of NEMPSI (2022-2032), the EMA framework law, and subsidiary legislation; (2) preparation of a five-year National Environment Action Plan for general guidance on environmental and natural resource protection; (3) coordinating the preparation and implementation of SEAs; (4) advising the Minister on the approval of Project EIA reports and audits; and (5) negotiating and implementing international and regional environmental management conventions, protocols, and treaties. The DoE is divided into three Sections: (1) Impact Assessment (responsible for EIAs, SEAs, and risk assessments); (2) Natural Habitat Conservation; and (3) Pollution Management. Each section is responsible for the preparation, review, and coordination of its respective policies, legislation, and guidelines.

13. ***National Environment Management Council (NEMC)***. Established in 1983 and operational since 1986, the National Environment Management Council (NEMC) is a corporate body mapped to the VPO with a mandate, as revised in 2004 under the EMA, to oversee and provide advice to the Government on all environmental matters in the country, including the review, monitoring, audit, and enforcement of EIAs and to facilitate public participation in environmental decision making. NEMC has four Directorates: (1) Environmental and Social Impact Assessment (DESIA); (2) Environmental Compliance and Enforcement (DECE); (3) Environmental Research and Management (DERM); and (4) Finance and Administration (DFA). DESIA is responsible for reviewing and recommending approval of EIA reports and Environmental Impact Statements

(EISs) to the Minister, who makes the final decision with technical support from the DoE. DESIA's functions further include capacity building, public awareness raising, management of databases, network development, publication of EIA procedures and guidelines (vols.1-5), Project Registration Forms, sectoral environmental checklists, training manuals, legislation and regulations, Control Audits, verification of Self Audit Reports, and the issuing of Post Audit Orders defining corrective measures. DECE is responsible for: (1) supervising the assessment of pollutant impacts and proposing and facilitating the implementation of mitigation measures; (2) fostering, promoting, specifying, supervising, and monitoring environmental quality standards, guidelines, norms, and criteria; (3) facilitating the establishment of environmental management systems in Projects; and (4) providing technical input to the negotiation and implementation of international and regional environmental management conventions, protocols, and treaties.

14. NEMC has 13 Zonal Offices, each serving the functions of: (1) compliance oversight and enforcement; (2) EIA; (3) research and planning; and (4) environmental information, communication and outreach. Each Office has technical officers with the authority to grant clearance to low-risk Zonal level Projects.

15. ***National Environment Advisory Council (NEAC)***. Established under the EMA to advise the Minister Responsible for Environment and other ministries on environmental matters, the National Environmental Advisory Committee is chaired by a Permanent Secretary (PS) and composed of 25 members (Directors of government agencies and representatives of academic, CSO, and private sector entities). NEAC has Social Specialists embedded in some Environmental Directorates who do awareness raising and training of consultants. A Technical Advisory Committee (TAC) is established for each Project and composed of the Developer, Environmental Consultant, a NEMC staff person, and representatives of the local LGA and other relevant agencies (e.g., Ministry of Water for Projects involving water). The TAC is a potential entry point for expanded ESIA and monitoring. The composition of the TAC depends upon the nature of the Project. Where specific social aspects are identified, the Ministry of Community Development, Health, Labor, etc., may be invited but this is not done in a systematic way.

16. ***The Environmental Appeals Tribunal (EAT)***. Established under the EMA the Environmental Appeals Tribunal (EAT) is an appellate body for decisions of the Minister Responsible for the Environment regarding EIA, any conditions, limitations and restrictions issued under EMA or its regulations, and any matters brought by NEMC that require interpretation. The EAT has five members, whose decisions may take the form of binding directives, orders or recommendations. If the complainant is not satisfied with EAT's decision, they may refer the case to the High Court.

17. ***Regional Secretariats (RSs)***. Established under the Regional Administration Act to assist the Regional Commissioner, the Regional Secretariats (RSs) oversee and advise on the enforcement of laws and regulations and the implementation of national policies, Projects, and activities at the regional level. The EMA also confers a coordinating role on the RSs for all environmental matters in their Regions via the Regional Environmental Management Experts (REMEs).

18. ***PO-RALG***. The President's Office of Regional and Local Governments (PO-RALG) works with Sectoral Ministries, District Councils, and down to the village level, on Project implementation, monitoring, and reporting. The Directorate of Local Government oversees LGAs,

including operations and such aspects as promoting the employment of local labor. They have Environmental Officers, CDOs, and Social Workers at the local level. There is no standalone E&S unit or E&S specialists per se (which makes them ineligible for GCF funding) but only a Forest Officer, a Game and Wildlife Officer, and a Fisheries Officer. In practice, these specialists are largely limited to specific issues (e.g., tree planting and plastics). These are not represented on the CMT (Council Management Team) and do not participate in the decision-making process. They do not participate in the EIA review process, although consultants preparing EIAs sometimes consult them) and have little involvement with NEMC or OSHA). They are responsible for local level Project monitoring in all sectors, although they focus mainly on Environmental Conservation and Solid Waste Management and are involved in monitor only on an as-needed basis, and not in any structured or systematic E&S monitoring process. If there is a visit to a major Project involving multiple sectors, for example, they may be asked to accompany it but without any specific role or responsibility, although other agencies sometimes go to the field without them due to their lack of staff and work directly with the LGA, although they are supposed to have a lead coordination role. They have no database of LGA E&S staff and do not oversee the deployment of specialists locally. For that, they would need a dedicated E&S unit.

19. ***The PCT.*** PO-RALG's Project Coordinating Team (PCT) is a recent innovation designed to oversee E&S issues in World Bank financed Projects. They currently oversee more than 50 Project Implementing Teams (PITs), and other donors are expressing interest in using the PCT for Projects they finance as well. ESMPs, Valuation Reports, and RAPs are prepared by consultants under PO-RALG's supervision. The Team conflicts of staff from PO-RALG, other agencies, and LGAs, as well as independent consultants and includes three Social Specialists, one Environmental Specialist and one Expert Advisor, as well as a Valuer and Grievance Specialist from each LGA. They currently support three Projects, each overseen by a Coordinator and with a Project-specific budget. The Team is financed through the Projects. World Bank- financed Projects include support to LGAs for E&S implementation, including institutional strengthening.

20. ***Local Governments Authority (LGAs).*** Established under the Local Government Act (1982), Local Government Authorities (LGAs) are responsible for the preparation and implementation of Environmental Action Plans in their areas of jurisdiction. The two main legally established E&S-related LGA positions and units are the LGA Environmental Management Officer (EMO) and LGA Standing Committee Responsible for Environment. Established under the EMA at both the higher and lower LGA levels, the LGA Environment Management Officer is designated or appointed to: (1) enforce and coordinate all environmental protection functions and activities in the LGA; (2) advise the Environment Management Committee; (3) collect and manage data; and (4) report on state of the local environment. EMOs are specifically tasked with monitoring the preparation, review, and approval of EIAs for local investments. LGAs have junior Environmental Officers but no standalone E&S unit. Established under the Local Government (Urban Authorities) Act the Standing Committee on Urban Planning and Environment is charged with overseeing environmental management in the LGA. Their general powers include conducting inquiries and investigations, summoning parties, conflict resolution, inspection of premises, issuing orders to remove harmful substances or articles, and prosecution of violators. Beyond the Community Development Officers, Social Welfare Officers, and Gender Focal Points, there are few permanent staff at the LGA level to handle social aspects.

21. **Other Actors.** Other actors recognized by the EIA and Audit Regulations (2005) in the EIA process include:

22. **Sectoral Ministry Environmental Sections.** Established under the EMA as responsible for all Environmental matters in line ministries, Environmental Departments, Sections, and Units have roles and responsibilities that include: (1) preparation of five-year Sector Environment Action Plans; (2) conducting of EIAs; (3) participation in reviews by Cross-Sectoral Advisory Committees of EIA Reports; (4) review of Environmental Audit Reports; and (5) monitoring of Projects and submission of monitoring reports to NEMC.

23. **TEEA.** The Tanzania Environmental Experts Association (TEEA) is a national voluntary association of the environmental experts registered under the Societies Act (2017, Cap.337 [R.E 2020]), recognized by the Experts Registration Regulation (2020) and coordinated by the Register of Societies under the Ministry of Home Affairs. TEEA's mandate is to unite environmental experts in the country, build capacity, provide relevant information, engage in advocacy and awareness raising on the importance of EIA and to influencing environmental policies, and participate in interventions in collaboration with NEMC, the VPO (for Union and Environmental Matters), and other government and non-government institutions. They offer members updates on changing laws and regulations, professional development and training, networking with fellow environmental experts, opportunities to discuss Environmental Management issues and to participate in local, regional, and national conferences and forums, opportunities for joint consultancy services, and Information on available consultancies and other employment opportunities.

24. **The Registrar of EIA Experts/Firms of Experts.** The Registrar of EIA Expert/Firms of Experts is mandated under the Environmental (Registration of Environmental Experts) Regulation 22 of the Environmental Management (Registration and Practice of Environmental Experts) Regulation, 2021 (GN. No 27 /19/03/2021) to register and keep a registry of all firms and individuals authorized to provide EIA-related services in the country (e.g., preparation of EIAs and Initial and Control Environmental Audits, Environmental Inspections, training, and technical support).

25. **Environmental Inspectors.** Environmental Inspectors are appointed or designated with a mandate under the EIA and Audit Regulations (2005) to conduct inspections, examine records, make enquiries into projects and monitor Project impacts and activities. These inspectors generally lack specific training in specific risk management (SRM) monitoring and oversight.

26. **The EIA Process:** The Tanzanian EIA process begins with the submission of an application by a Project proponent to NEMC for an EIA Certificate. The Project is then classified according to four categories based on the nature, extent, and level of impact. These are: (1) "A" for High Risk Projects, requiring a mandatory detailed EIA; (2) "B1" for Substantial Risk Projects, requiring screening, scoping, and full EIA; (3) "B2" for Moderate Risk Projects involving small-scale activities, requiring registration but no EIA, screening or scoping (instead, the Project Brief is examined and issued with an EIA Certificate); and (4) "Special Category" Projects in which potential risks are uncertain, requiring detailed specialized studies prior to EIA (in practice, these are generally treated as Type "A" Projects). The EIA and Audit Regulations require the process to: (1) describe the Project location and scope; (2) conduct a scoping of issues prior to full EIA; (3) involve the

public; (4) document baseline data; (5) identify and assess impacts; (5) evaluate alternatives; (6) propose management and mitigation measures; (7) estimate costs, responsibilities and schedules for their implementation; and (8) prepare an ESMP to guide execution of all Project types. Instruments applied as components of an EIA include hazard and risk assessments and Cumulative Impact Assessments (CIAs). For Type A, B, and Special Category Projects, the proponent must submit a Scoping Report together with Terms of Reference (ToRs), an ESMP and an ESMoP (for Type B2 Projects, the proponent must submit a Project Brief). These documents must be prepared by registered experts authorized by NEMC and submitted online, along with a registration form and prescribed fee, in NEMC's Project Management System (PMS), thereby generating an Application Reference Number.

C. Other Environmental Instruments

27. Other key environmental instruments in Tanzanian Law besides EIA are: (1) the Environmental and Social Management Plan (ESMP); (2) Environmental and Social Monitoring Plan (ESMoP); (3) Environmental Audit (EA); and (4) Strategic Environmental Assessment (SEA). Brief descriptions follow:

28. ***Environmental and Social Management Plan (ESMP).*** This is applied to B2 Projects as a stand-alone instrument to identify, assess, and mitigate potential Project E&S impacts and Project clearance is based on approval of the ESMP. The Law defines an ESMP's scope and requires that it includes detailed measures to avoid, mitigate or offset adverse impacts.

29. ***Environmental and Social Monitoring Plan (ESMoP).*** Detailed environment impact assessment DEIA is responsible for continuous monitoring of the environmental aspects of industrial operations, Projects, and activities, including ESMoPs, in coordination with the relevant line ministries and sectoral agencies.

30. ***Environmental Audit (EA).*** Environmental Audit is an independent instrument separate from EIA that is applied to Projects to determine the effectiveness of mitigation measures and any emerging issues. The EIA and Audit Regulations (2005) define the scope of the two main audit processes: (1) Self Audit (with an Initial Audit undertaken where there is no prior EIA and a Compliance Audit for specific issues of concern), undertaken by the Project proponent; and (2) Control Audit, undertaken by the appropriate authority. The law requires the Audit process to identify all issues of concern, propose and justify corresponding mitigation measures, and estimate their implementation costs.

31. ***Strategic Environmental Assessment (SEA).*** Applied to policies, bills, regulations, strategies, program, and plans to identify potential E&S impacts and issues of concern, SEA is not site-specific but rather applied at the national, zonal or regional level for sector-wide programs, Economic Processing Zones (EPZs), water basins, etc. The EMA specifically requires SEA for mineral, petroleum, hydroelectric, and major water Projects. The SEA Guidelines (2017), under the EMA and SEA Regulations (2008). The TAC is composed of no less than 12 multidisciplinary specialists from sectors responsible for environment and resource management (which are currently a focus of investment and relevant research institutions), in the aim of enhancing technical credibility, institutional and interagency coordination, accountability, and transparency Projects.

32. **Control or Compliance Audit.** The EIA and Audit Regulations require a Control Audit (also referred to as a Compliance Audit) to be conducted by NEMC where the Council deems it necessary to verify ESMP or Self Audit compliance.

Overall, these instruments give limited attention to social aspects, beyond general requirements and they should be included in specific chapters.

Zanzibar

33. **Zanzibar VPO-Department of Environment (DoE).** Directly under the First Vice President's Office, the Zanzibar Department of Environment is responsible for environmental policy making, formulation of guidelines, biodiversity and Climate Change management, and international coordination. The DoE has four Divisions: (1) Environment; (2) HIV/AIDS; (3) Disabilities; and (4) Substance Abuse and Rehabilitation. The Environment Division has two units: (1) Department of Environment; and (2) ZEMA. The Department of Environment is led by the Director.

34. **Zanzibar Environment Management Authority (ZEMA).** Established under the Zanzibar Environmental Policy (2013) and Environmental Act (2015), ZEMA is under the DoE with a mandate for coordination, enforcement, and monitoring of environmental activities, policies, regulations and guidelines, and ESIA review, approval, and implementation monitoring. ZEMA has three Departments: (1) Administration and Human Resources; (2) Planning, Monitoring and Environmental Assessment; and (3) the Pemba Office (as well as Divisions for IT, Communication, Law Enforcement, and Finance).

35. **The EIA Process.** The Zanzibar EIA process begins with the determination by ZEMA of the EIA category (the categories being Exempt, Minimal Impacts, and High Risk or Mandatory EIA) and level of assessment required (No Assessment, Environmental Report, or Full EIA). There are no ESIA Regulations but there are General TORs for conducting ESIA in Zanzibar. ZEMA also reviews and approves ToRs. The process has now been streamlined, with a Scoping Report prepared by a consultant. At the close of the process, an EIA certificate is issued with a list of mandatory conditions where applicable. While ZEMA's guidelines provide no timeline for EIA review, ZEMA generally reviews small Projects and issues a certificate within three days, while larger Projects can take more than a week. Then they monitor the implementation and write regular monitoring reports. They monitor with a checklist (they only have a checklist for Tourism Projects. Routine Inspections are rarely done because of inadequate funding.

Annex 3: Guidance on E&S Categorization of PFI Subproject/ SMEs

This Annex offers guidance to PFIs regarding the classification of their borrowers and projects. While it outlines the features and offers examples of each category, the categorization process should be tailored to individual cases, considering factors such as location, environmental and social context, scale, and impact severity.

For clarity characteristics of substantial and high-risk activities are provided below.

Substantial and High-Risk Activities typically involve the following:

- Significant potential impacts: These projects have the potential to cause significant adverse E&S impacts due to their scale, nature, or location.
- Complexity: They involve complex activities, technologies, or processes that increase the likelihood of E&S risks.
- Sensitive environments: Projects located in environmentally or socially sensitive areas, such as protected areas, indigenous territories, or areas with vulnerable communities, are considered high risk.
- Legal or regulatory requirements: Projects that are subject to stringent E&S regulations at the national, are usually classified as high risk.
- Controversial issues: Projects that are contentious or raise significant concerns among stakeholders, including affected communities, civil society organizations, or indigenous groups, are often categorized as high risk.
- Large investments: Projects with substantial financial investments, such as infrastructure developments or extractive industry projects, are typically considered high risk due to their potential magnitude of impacts.
- Long-term impacts: Projects with long-term or irreversible E&S impacts, such as large-scale infrastructure or mining projects, are classified as high risk due to the potential for lasting harm.
- Cumulative effects: Projects that contribute to cumulative environmental or social impacts when combined with other existing or planned Projects in the area are considered high risk.

Category	Definition	Example Activities
High Risk	High risk means any business activity which is likely to have significant adverse environmental impacts that are sensitive, diverse or unprecedented, and which includes, for the avoidance of doubt, activities involving (a) involuntary resettlement, (b) risk of adverse impacts on indigenous peoples, (c) significant risks to or impacts on the environment, community health and safety,	<ul style="list-style-type: none">▪ Large-scale manufacturing involving hazardous chemicals, solvents, or toxic emissions▪ Mining, quarrying, or extraction of minerals, sand, or stone▪ Large infrastructure requiring land acquisition, economic or physical displacement▪ Activities involving dams, hydropower, or major water diversion

Category	Definition	Example Activities
	biodiversity, cultural heritage, or (d) significant occupational health and safety risks (risk of serious injury or fatality to workers).	<ul style="list-style-type: none"> ▪ Hazardous waste treatment, incineration, or disposal facilities ▪ Large commercial agriculture involving pesticides, deforestation, or land conversion ▪ Facilities with high risk of serious worker injury or fatality (e.g., steel plants, foundries, tanneries) ▪ Projects in or near protected areas, critical habitats, wetlands, or ecologically sensitive zones ▪ Large-scale livestock or poultry operations generating significant waste ▪ Construction of major roads, bridges, or rail lines ▪ Activities with significant community health and safety risks (explosives, highly flammable materials)
Substantial Risk	Substantial risk means any business activity that is not as complex as High-Risk activities, however, has some significant risks and impacts with the possibility of avoiding or reversing but with substantial investment and time and may give rise to limited degree of social conflict, harm, human security risk.	<ul style="list-style-type: none"> ▪ Medium-scale food processing, textiles, printing, or chemical formulation ▪ Commercial agriculture that involves moderate land clearing, irrigation, or agro-processing ▪ Medium-scale manufacturing such as metal fabrication, plastics molding, furniture with chemical use ▪ SME expansions that significantly increase emissions, noise, wastewater, or waste generation ▪ Construction of medium-sized warehouses, hotels, educational or health facilities ▪ Medium-scale transportation services involving fuel storage, vehicle depots, or repair yards ▪ Agro-industrial activities involving effluents (dairy processing, small abattoirs, oil pressing)

Category	Definition	Example Activities
		<ul style="list-style-type: none"> ▪ Projects located close to residential areas where community exposure might increase ▪ Activities requiring land leasing with potential minor livelihood impacts ▪ Activities using moderate volumes of hazardous materials (paints, lubricants, resins)

Moderate Risk Activities

- Moderate Potential Impacts: These Projects have the potential to cause E&S impacts, but the magnitude and severity of these impacts are generally less significant compared to high-risk Projects.
- Standard Activities: They involve standard or routine activities that are well-understood and commonly implemented within the sector, reducing the likelihood of unexpected impacts.
- Limited Scale: These Projects are typically smaller in scale or scope compared to high-risk Projects, resulting in fewer potential impacts and lower overall risk.
- Low Complexity: They involve straightforward activities or processes with minimal technological complexity, reducing the likelihood of E&S complications.
- Non-sensitive Environments: Projects located in areas with low E&S sensitivity, such as urban or industrial zones, are often classified as moderate risk.
- Short-Term Impacts: Projects with short-term or reversible E&S impacts, such as construction activities or short-term operations, are categorized as moderate risk due to the limited duration of impacts.
- Limited Controversy: Projects that do not raise significant concerns among stakeholders and have minimal opposition from affected communities or civil society organizations are considered moderate risk.
- Manageable Cumulative Effects: While these Projects may contribute to cumulative E&S impacts when combined with other Projects, the overall magnitude of these effects is generally limited and manageable.

Category	Definition	Example Activities
Moderate Risk	Moderate Risk means any business activity that has potentially limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific,	<ul style="list-style-type: none"> ▪ Acquisition of new transportation equipment (automobiles, trucks, other specialised equipment, and replacement parts). ▪ Small-scale processing of agricultural produce e.g. rice.

	<p>largely reversible, and readily addressed through mitigation measures. Impacts are often site-specific without likelihood of impacts beyond the activity's footprint and routine safety precautions are expected to be sufficient to prevent accidents.</p>	<ul style="list-style-type: none"> ▪ Construction of warehouses, processing facility or renovation of existing physical premises on the land fully owned by the SMEs. ▪ Acquisition of assets such as industrial machines, medium sized tools and equipment.
Low Risk	<p>Low Risk means any business activity minimal or negligible risks to and impacts on human populations and/or the environment with few or no adverse risks and impacts and issues.</p>	<ul style="list-style-type: none"> ▪ Office based activities such as marketing, consultancy, etc. ▪ Working capital needs (loans for payment of salaries, marketing costs, audit and accounting costs). ▪ Acquisition of communications equipment (phone and fax equipment, computers, printers, servers, software, other hardware, etc.). ▪ Purchase of construction materials for shops selling construction material, ▪ Purchase of feed stock, and feed mixer machine. ▪ Acquisition of fixed small assets (refrigerators, replacement parts, etc.), small tools and equipment etc.). ▪ All types of retail outlets (except those dealing in hazardous or toxic chemicals, flammable materials); and ▪ Restaurants and other food premises.

Annex 4: E&S Capacity Assessment questionnaire for PFIs

1. E&S Procedures and Capacity

Name of PFI:	
Date of the assessment:	
ESDD form filled by (name and designation):	
Does the PFI have an ESMS policy and management commitment—check all that apply:	
<ul style="list-style-type: none"> Policy regarding Environmental and Social (E&S) risk management The E&S Policy is approved by Senior Management (mention the date of approval) ESMS specifies types of investments/loans and activities it applies to (e.g., entire portfolio/investment type) 	
<ul style="list-style-type: none"> The E&S Policy and ESMS disclosed on FI's website 	
Does the ESMS process and procedures include—check all that apply and provide description (provide your full ESMS):	
<ul style="list-style-type: none"> Documented process to assess E&S impacts and risks of its projects including what E&S related documentation/information shall be submitted by client ESMS specifies applicable requirements (e.g., Exclusion List/national laws/WB ESS) E&S due diligence process integrated with risk assessment procedures including identification of potential E&S financial risks Project site visits conducted as part of E&S risk assessment procedures Review of borrower's applicable environment, health and safety permits and compliance with all ESHS regulatory requirements Loan agreements contain terms and conditions (warranties, covenants, remedies, etc.) requiring ongoing compliance with applicable requirements (e.g., national laws) 	
Does the ESMS include a process for E&S monitoring and record keeping—check all that apply and provide details:	
<ul style="list-style-type: none"> Process for monitoring ongoing compliance with applicable requirements including process to establish corrective actions if needed Borrowers required to report accidents/incidents within reasonable timeframe Borrowers required to provide periodic reports 	

pertaining to E&S performance of projects	
Does the ESMS have an internal feedback and continuous improvement mechanism—<i>check all that apply</i>:	
<ul style="list-style-type: none"> • Process for periodically reporting Environmental and Social performance information internally to senior management 	
<ul style="list-style-type: none"> • Continuous improvement process in place to revise and update ESMS (e.g., changes in national law/international best practices) 	
Is there provision for E&S external reporting—<i>check all that apply</i>:	
Annual reporting on E&S performance to lenders (names the lenders)	
Are the ESMS roles and responsibilities defined—<i>check all that apply and provide details</i>:	
<ul style="list-style-type: none"> • Designated ESMS Officer 	
<ul style="list-style-type: none"> • Designated ESMS Environmental Coordinator(s) 	
<ul style="list-style-type: none"> • Description of ESMS responsibilities of different roles 	
<ul style="list-style-type: none"> • Use of consultants 	
ESMS capacity and resources—<i>check all that apply and provide details</i>:	
<ul style="list-style-type: none"> • Process for communicating ESMS policy and procedures across Financial Institution 	
<ul style="list-style-type: none"> • ESMS includes tools (e.g., checklists/guidance notes) for its implementation. 	
<ul style="list-style-type: none"> • Budget allocated for ESMS training for PFI staff and their clients 	
<ul style="list-style-type: none"> • Training plan for ESMS implementation 	

Note: It is advised to review all ESMS and/or E&S related procedures and examine sample ESDD and monitoring reports for project types anticipated under FAST. If such Projects are absent in the current portfolio, please review the ESDD and monitoring reports for two to three other projects.

1. Portfolio

Product lines for lending to MSMEs	Description	Total exposure outstanding for most recent FY year end (in US\$)
Long term		
Short term Transaction with tenor less than 12 months		
ST Corporate finance		
ST Trade finance		
Working capital		
Other		

What proportion of existing portfolio constitutes lending to SMEs:

Details of long-term project finance/corporate finance (longer than 12 months tenor) to SMEs

Borrower name	Type of loan	Tenor of loan (months)	Value of exposure (US\$ mn)	Description of Project

Annex 5: Environmental and Social Covenants for PFI Guarantee Agreements

A. Draft E&S Terms and Conditions for PFI Guarantee Agreements

- i) The PFI shall establish, implement, and maintain an Environmental and Social Management System (ESMS) acceptable to the CGC and consistent with the Project ESMS, the World Bank Environmental and Social Framework (in particular ESS9), and applicable national laws and regulations. The PFI shall ensure that all SME lending brought under the guaranteed portfolio is appraised and monitored in accordance with this ESMS and the Project exclusion list.
- ii) As a condition for inclusion of loans in the guaranteed portfolio, the PFI shall apply its ESMS to screen, categorize, and assess all MSME subprojects, ensure that excluded activities are not financed, and require MSMEs to comply with applicable E&S laws, labour and OHS requirements, and any E&S instruments (e.g. ESMPs) agreed under the Project.
- iii) The PFI shall pass down all relevant E&S obligations to MSME borrowers through its loan agreements, including compliance with national E&S regulations, implementation of agreed E&S measures, incident reporting, and maintenance of workers' grievance mechanisms.
- iv) The PFI shall submit E&S monitoring reports to the CGC on a quarterly basis during the first year of the guarantee and thereafter at a frequency agreed with the CGC. These reports shall cover the guaranteed portfolio and, where requested, underlying MSME subprojects, including:
 - portfolio composition and E&S risk classification;
 - material E&S risks or incidents;
 - status of implementation of any Environmental and Social Action Plans (ESAPs); and
 - summary of grievances received and how they were resolved.
- v) The PFI shall promptly notify the CGC, and in any event within 24 hours of becoming aware, of any incident or accident related to a guaranteed MSME loan that has, or is likely to have, a significant adverse effect on the environment, affected communities, the public, or workers, including any allegations or cases of Sexual Exploitation and Abuse / Sexual Harassment (SEA/SH). The PFI shall provide follow-up information and a corrective action plan within a timeframe agreed with the CGC.
- vi) If the CGC identifies any material non-compliance with the E&S requirements of this Agreement, the PFI shall promptly prepare and implement a corrective action plan within a timeframe agreed with the CGC. Failure to implement such corrective actions may result in: (a) suspension of the inclusion of new loans under the guarantee; (b) exclusion of specific non-compliant loans from the guaranteed portfolio; and/or (c)

suspension or termination of the guarantee in accordance with the terms of this Agreement.

- vii) The PFI represents and warrants that, at the date of signing and throughout the term of the guarantee, it has and will maintain adequate E&S policies, procedures, staff, and resources to manage the E&S risks of its activities and of the guaranteed portfolio, and that there are no known material E&S issues that would adversely affect its ability to comply with this Agreement.
- viii) The PFI shall maintain complete and up-to-date E&S records for the guaranteed portfolio (including screening forms, risk categorizations, E&S assessments, ESMPs, permits, monitoring reports, and incident records) and shall provide the CGC, BoT, and the World Bank (through CGC/BoT) access to such records upon request.
- ix) The PFI shall cooperate with any E&S supervision, monitoring visits, or audits undertaken by the CGC, BoT, or the World Bank (through BoT/CGC), including granting reasonable access to its premises, staff, and MSME borrowers, subject to applicable confidentiality and banking secrecy laws.
- x) The PFI shall maintain an external grievance mechanism for clients and other stakeholders, and an internal workers' grievance mechanism, both aligned with national law and ESS2/ESS10, and shall report to the CGC on grievances related to the guaranteed portfolio and their resolution.
- xi) The PFI shall ensure that relevant staff involved in MSME lending and risk management receive regular training on the Project ESMS, the exclusion list, E&S screening and monitoring, and incident reporting, and shall participate in E&S capacity-building activities organized by the CGC and/or BoT.

B. E&S Terms for PFI–MSME Finance Agreements (Revised and Enhanced)

- i) The MSME shall comply with all applicable national environmental, social, labor, and occupational health and safety laws and regulations, as well as any E&S requirements communicated by the PFI under the Project. The MSME shall establish internal processes to identify, assess, and manage E&S risks associated with its operations in a manner proportionate to the nature and scale of its business,
- ii) The MSME shall provide periodic E&S performance reports to the PFI, including information on material E&S risks, mitigation measures undertaken, corrective action plans (if any), and any significant changes in operations that may affect its E&S risk profile.
- iii) The MSME shall promptly, no later than 24 hours of occurrence, notify the PFI of any environmental, health, safety, social, labor, or SEA/SH-related incident that has, or may have, a significant adverse impact on the environment, workers, affected communities, or public safety. The MSME shall also provide follow-up information, including causes, impacts, and corrective actions taken.

- iv) The MSME shall confirm that it does not have any outstanding or material environmental or social liabilities, such as contaminated land, hazardous waste accumulation, regulatory non-compliance, or unresolved labor or safety violations, that may adversely affect its operational or financial performance.
- v) The MSME shall confirm that there are no known significant E&S risks or issues other than those identified during the initial E&S screening, scoping, or due diligence carried out as part of the loan appraisal process.
- vi) The MSME shall confirm that it has not received, and is not aware of, any material written notice or communication from regulators, communities, workers, or other stakeholders alleging non-compliance with E&S requirements.
- vii) The MSME shall obtain, renew, and maintain all environmental, social, labor, OHS, and business permits, licenses, and approvals required for its operations and shall provide copies to the PFI upon request.
- viii) The MSME shall maintain Occupational Health and Safety (OHS) management practices appropriate to the nature of its operations. At minimum, the MSME shall:
 - provide adequate personal protective equipment (PPE),
 - establish rules for PPE use and enforcement,
 - maintain safe working conditions and emergency preparedness measures,
 - keep records of OHS incidents, including lost-time injuries, major injuries, and fatalities.
- ix) The MSME shall grant the PFI, CGC, BoT, and the World Bank (through the PFI/CGC/BoT) access to its premises, staff, and E&S documentation for monitoring or audit purposes, provided that reasonable prior notice is given.
- x) In the event of material non-compliance with E&S requirements, the MSME shall implement corrective actions agreed with the PFI within specified timeframes. The PFI reserves the right to suspend, restrict, or terminate financing, or to exclude the MSME from the guaranteed portfolio, if the MSME fails to address non-compliance adequately.
- xi) The MSME shall establish and maintain a grievance mechanism to receive, document, and address E&S-related complaints from workers, communities, suppliers, and other stakeholders. The MSME shall keep the PFI informed of grievances received and their resolution.

Annex 6: ESAP template

PFI/subproject name			
Date of ESAP/ date of compliance review			
Description of the E&S action	Responsible Person	Due date	Evidence for completion of the action

Annex 7: Declaration of Labor Policies and Practices⁵

(PFIs must complete this)

This is to confirm that [PFI] has reviewed and agrees to comply with the World Bank's E&S Standard 2 (ESS2), available at <https://documents1.worldbank.org/curated/en/149761530216793411/ESF-Guidance-Note-2-Labor-and-Working-Conditions-English.pdf>.

Documentation to be submitted with this questionnaire:

1. Human Resources Policy
2. Sample Employee Contract
3. Code of Conduct/Ethics or Sexual Harassment Policy
4. Collective Bargaining Agreement (if available)
5. Recruitment Policy
6. Grievance Mechanism

1. HR Policy and Terms of Employment		
Does your organization have a human resources policy? (Please enclose a copy.) Does it or any other HR management procedures available to staff contain sections on:		
a)	Entitlement to and payment of salaries?	(Y/N)
b)	Entitlement to leave for holidays, vacation, illness, injury and maternity and other reasons?	(Y/N)
c)	Entitlement to benefits?	(Y/N)
d)	The employees' right to form and join employee organizations of their choosing without any interference or employment consequences and to bargain collectively with the company?	(Y/N)
e)	Disciplinary and termination procedures and rights?	(Y/N)
f)	Promotional requirements and procedures?	(Y/N)
Does the PFI have occupational health and safety and emergency preparedness plans (life and fire safety)?		(Y/N)
Name of person responsible for human resource matters:		[Enter name and title here]
Do all employees have written contracts? How many employees have written contracts?		(Y/N) [Enter number of employees with written contracts here]

⁵ Source: IFC

Do non-employee workers (contractors) have the same rights and benefits as employees?	(Y/N) [If not, please explain the nature of the work performed by contractors]
Is the HR Policy readily accessible to employees and are they familiar with the terms of the human resource policy? Is the policy posted in a visible place? Where?	(Y/N) [Enter the place where the HR Policy is posted here]

3. Non-Discrimination and Equal Opportunity	
What is the normal length of service with the PFI?	
What is the average age of employees?	
What is the mandatory retirement age for men and women? Is this based on national law or PFI policy?	[Enter age for men and for women separately]
Is there any age limit for recruitment?	
What is your normal process for hiring new members of staff?	
Have you received any internal complaints over issues of sexual or other harassment?	(Y/N)
Do you have a policy to deal with sexual harassment?	(Y/N)
What is your policy with regard to leave for women who are pregnant?	
Do you ever require women to undergo pregnancy testing? If so, why? How is this information used? What happens if the employee refuses to be tested?	
Do new employees have to undergo medical testing as part of the confirmation process?	

5. Grievance Mechanism	
Is there a grievance mechanism which enables employees to register and raise concerns?	(Y/N)
What are the most common grievances received?	
How many times has it been used in the last three years?	

Please provide a copy of the grievance procedure or describe the grievance procedure (how can concerns be raised with management, who deals with the concern, who takes action and provides feedback to the employee)	Describe or attach document.
---	------------------------------

6. Labor Fines and Court Cases	
Has the labor authority issued fines to the company related to labor issues?	(Y/N)
Have labor cases been filed against the company in the national/international legal system?	(Y/N)

7. Overall Labor Statistics			
	Men	Women	Total or Average
Number of Employees	Management		
	Non-management		
	Contractors		
	Handicapped		
	Total		
	Board Composition		
Average Salary	Management		
	Non-management		
Age Breakdown	18 – 25		
	26 – 35		
	36 – 45		
	46 – 55		
	> 56		

Signed - Human Resources Director (or equivalent)
 [Name and Designation]

 Date

Annex 8: Annual E&S Monitoring Report Format (for submission by PFIs to CGC)

Name of the PFI	
Reporting period (month/year–month/year)	
Report completed by (name and designation)	
Contact e-mail address and phone number	
Date of the Report	

1. ESMS Implementation and E&S Capacity

Policies & Processes		Description
Have there been any updates to the E&S Policy and ESMS adopted by your organization?	Yes/No	If yes, please provide a copy of the updated policy including date when it was issued and reasons for the same.
Has senior management signed off on the updated policy/procedure?	Yes/No	If yes, please provide the date and internal communication indicating the same.
Please describe any activities for the last FY for staff training related to the ESMS or its implementation and other internal communication		
Did you conduct site visits to SMEs facilities? - No of site visits for due diligence - No. of site visits for supervision	Yes/No	If yes, please provide % of projects/SMEs that were covered in the guaranteed portfolio
- Number of transactions considered during the reporting period - Number of transactions approved - Number of transactions with reported non-compliances - Number of transactions rejected because of E&S issues		
Capacity		
Please provide current staffing of the core E&S people as well as list other people in the organization involved with the ESMS implementation		

Has the E&S team undergone any training during the reporting period?	Yes/No	If yes, please provide details
--	--------	--------------------------------

II: Portfolio information for SME investments

1. SME exposure by product

Product line	Description	Total exposure outstanding for most recent FY year end (in US\$)

2. Exposure by Industry Sub-sectors

Please provide an indicative % of portfolio that these sectors represent of the total SME portfolio (under the FAST project).

Industrial Sector	% of total SME exposure
Livestock	
Agro-processing	
Construction	
Fisheries	
Garment	
Information & communication technologies (ICT)/fintech	
Leather	
Manufacturing	
Minerals	
Tourism and transport	

3. Longer tenor SME lending

Please provide information for the MSME loans with tenor more than 12 months

Note: Please attach copies of 2 ESDD reports with ESAPs for new SME investments made over the reporting period and 2 E&S monitoring reports

Please provide the following information for the SME guaranteed portfolio

Issue	Yes	No	Details (please include no. of SMEs and percentage of SMEs from the portfolio)
Non-compliance with national legislation and regulations			
Non-compliance with CGC's E&S standards			
Non-compliance with covenants in the Finance Agreement signed between the PFI and SMEs			
Non-compliance with ESAP			
Complaints from regulatory agencies, interest groups, or local communities			
Fatalities or serious injury			
Strikes (with or without violence) or other labor disputes			
Legal action			
Fines, penalties or increased permit charges			
Negative attention on the part of the media or NGOs (non-governmental organizations)			
Material E&S financial risks			

4. Compliance with the Exclusion List and Restricted Activities

Activities on Exclusion List	
If any, please indicate the dollar percentage of loans or investments (under the FAST project) out of your total outstanding exposure provided to clients who are substantially involved in excluded activities.	%
If the percentage is not zero, please explain these exposures and any steps having been taken to reduce such exposure.	

Annex 9: E&S Information to be Submitted by SMEs with Loan Applications to PFIs

I. Background information

Where are your operations located? Industrial site, residential area? Share coordinates, if available	
Year of establishment	
Type of business and industry sector	
Provide a description of your business activities and production process (if relevant)	
Description of the core business and activities for which funding is sought (expansion, refurbishment, green field development, etc.)	
Number of current employees? <ul style="list-style-type: none">• Permanent• Temporary Will the number increase and to what levels with financing?	
Describe the surroundings of your unit including immediately surrounding properties	
Is there any village/ community or sensitive receptors within 500 meters of the site? (e.g. local human settlements, local ecologically sensitive areas and protection and conservation of biodiversity, sites of cultural importance	

II. E&S assessment related questions

E&S Questions	Yes	No	Provide details, if the answer is yes.
Are the operations in areas other than industrial area?			
Will the operations require process water? If yes, please mention the source and the quantity			
Will the operations require electricity and other fuels? If yes, mention the source and quantity.			
Do the operations require raw material such as wood, biomass, agri produce, waste, etc.? If yes, provide details on source of each.			
Is any construction and civil works envisaged? If yes, please mention the source of construction material			
Do the operations generate air emissions?			
Do the operations generate noise?			
Do the operations generate waste? <ul style="list-style-type: none"> • Solid waste • Hazardous waste • Industrial waste • Biomedical waste • Any other type of waste 			
Do the operations require handling of hazardous material and chemicals?			
Do operations involve working at height?			
Do operations expose workers and employees to hazardous working conditions?			
Have you undertaken an assessment of occupational hazards?			
Does the work involve use of noisy machines?			
Does the work involve processes that generate heat and smoke?			

Do the operations cause fire hazards?			
Are you required to obtain environmental approvals and clearances? Please provide copies of all environmental permits and approvals.			
Do you monitor E&S performance of your operations? If yes, provide copies of last 2 monitoring reports.			
How do you avoid child labor in your operations?			
Are there communities living in the vicinity of activities? Provide details, if the answer is yes. Who is responsible for community relations?			
Have you received complaints related to your operations from the surrounding community? If yes, provide details. How did you address these complaints?			
Are you acquiring and/ or leasing additional land? If yes, provide details.			
Are there any known environmental risks at the facility, such as soil or groundwater contamination, or the presence of hazardous materials like asbestos, lead-based paint, or PCB-containing equipment?			
What assessments or measures have been conducted to identify, manage, or mitigate contamination and hazardous material risks, including asbestos, radon, or lead-based paint?			

Please ensure that all relevant Environmental and Social (E&S) documentation, including permits, ESHS (Environmental, Social, Health, and Safety) plans, and monitoring reports, are attached with the submission.

Annex 10: E&S Screening Form (to be used by PFIs for screening SMEs)

Environmental and Social Screening Checklist	
Borrower/SME Name:	Location:
Loan Amount (US\$) and Purpose:	
Industry Sector:	Brief Description of the project/ SME activities (including stage of project lifecycle- design, construction, expansion, purchase of machinery, etc.):
Type of financing sought:	Tenor:
Completed by:	Reviewed by:
Date:	Date:
Compliance with the Applicable Requirements — Check all that apply:	
<p>Exclusion List Activities Yes <input type="checkbox"/> No <input type="checkbox"/> (<i>if there are exclusion list activities identified do not proceed</i>)</p> <p>National regulatory requirements Yes <input type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> Environmental, health and safety permits granted: (_____) 	
<p>In the last 2 years, have there been (using web search, the application form, discuss with credit officers)</p> <ul style="list-style-type: none"> Any injuries and fatalities in the last 2 years: (how and when: _____) Labor-related fines: (when and why: _____) Environmental incidents and fines: (when and why: _____) 	

Site(s)—Check all that apply:

- Non-urban/undeveloped land
- Proximity to river/stream/pond/lake
- Proximity to protected area (e.g. forest/endangered species)/ecologically sensitive area (e.g., river/protected areas)
- Proximity to culturally sensitive/indigenous area

Environmental Issues – Check all that apply (use sector knowledge and project description to answer these):

<p><i>Air emissions</i></p> <ul style="list-style-type: none"> <input type="checkbox"/> Boilers <input type="checkbox"/> Generators <input type="checkbox"/> Vehicles and equipment <input type="checkbox"/> Furnaces and incinerators <input type="checkbox"/> Welding and soldering <input type="checkbox"/> On-site burning <input type="checkbox"/> Use of solvents <input type="checkbox"/> Use of fumigation <input type="checkbox"/> Use of exhaust ventilation 	<p><i>Wastewater</i></p> <ul style="list-style-type: none"> <input type="checkbox"/> Wastewater discharged to: <ul style="list-style-type: none"> <input type="checkbox"/> Oil separators <input type="checkbox"/> Cleaning operations <input type="checkbox"/> Spraying operations <input type="checkbox"/> Separation tanks or filters <input type="checkbox"/> Foul sewers and septic tanks <input type="checkbox"/> De-watering/water pump out <input type="checkbox"/> Water treatment units
<p><i>Solid waste</i></p> <ul style="list-style-type: none"> <input type="checkbox"/> Waste generated <input type="checkbox"/> Types of waste: <ul style="list-style-type: none"> _____ _____ <hr/> <ul style="list-style-type: none"> <input type="checkbox"/> Hazardous waste (e.g., waste oils, pesticide washings, solvents, clinical waste, asbestos) <p>Waste disposed to</p> <hr/> <ul style="list-style-type: none"> _____ _____ 	<p><i>Hazardous chemicals, fuels, and pesticides</i></p> <ul style="list-style-type: none"> <input type="checkbox"/> On-site chemicals or fuels storage <input type="checkbox"/> Protective measures against leaks/spills <input type="checkbox"/> Signs of leaks/spills <input type="checkbox"/> Protective measures against rain <input type="checkbox"/> Signs of corrosion on tanks/containers <input type="checkbox"/> Secured storage areas against theft <input type="checkbox"/> On-site spill clean- up equipment <input type="checkbox"/> Training on proper handling of chemicals and fuels <input type="checkbox"/> Pesticide use and management

<p><i>Resource use</i></p> <p><input type="checkbox"/> Main Materials used: <hr/><hr/></p> <p><input type="checkbox"/> Use of renewable natural resources <input type="checkbox"/> Use of tools and equipment <input type="checkbox"/> Water source: <hr/><hr/></p> <p><input type="checkbox"/> Energy source: <hr/><hr/></p>	<p><i>Nuisance</i></p> <p><input type="checkbox"/> Dust <input type="checkbox"/> Noise <input type="checkbox"/> Odours <input type="checkbox"/> Fumes <input type="checkbox"/> Vibration <input type="checkbox"/> Traffic congestion</p>
<p>Material Existing E&S Financial Risks</p>	<p><input type="checkbox"/> Previous soil contamination <input type="checkbox"/> Previous groundwater contamination, <input type="checkbox"/> Presence of hazardous materials like asbestos, lead-based paint, or PCB-containing equipment on the site</p>

<i>Social issues – Check all that apply (use sector knowledge and scope of SME activities):</i>
<p><input type="checkbox"/> Land acquisition required <input type="checkbox"/> Displacement/resettlement of local settlements <input type="checkbox"/> Impact on local settlements/livelihood <input type="checkbox"/> Impact on indigenous peoples <input type="checkbox"/> Complaints from neighbours/communities <input type="checkbox"/> On or adjacent to site of cultural/archaeological importance</p>

Summary of initial Screening:

Key issue	Yes	No
1 Exclusion list compliance		
2 E&S red flags (mention, if applicable)		
3 Reputational risk (negative media reports, NGO attention, community complaints, etc.)		
4 Past non-conformance (regulatory fines, non-compliance with regulatory requirements, etc.)		
Provisional E&S Category (low, moderate, substantial, high)		
Recommendation		
Recommended for further ESDD (mention the key E&S issues that need to be assessed during the ESDD)		
Rejected (if response to one of the above key issues is 'yes')		
Scope of E&S Assessment and/or Management Plan		

Recommended for site visit		
Reported prepared by:		
Date of the report:		

Annex 11: Terms of Reference for ESDD

While this ESDD format provides a comprehensive structure, it may exceed the level of detail required for low or moderate-risk projects. Please adjust the scope of the report in alignment with the project's specific risk level, ensuring that the due diligence effort is proportional to the E&S risks identified. A simplified format may suffice for lower-risk projects, focusing on key E&S risks and mitigation measures without delving into the granular details outlined in this template.

1. Project / Description of MSME

[Provide a brief description of the MSME, its activities, location, and proposed use of loan funds.]

2. Objectives of the ESDD

The purpose of the Environmental and Social Due Diligence (ESDD) is to assist the PFI in determining whether the SME and its activities comply with:

- National environmental, social, labor, and OHS regulations
- The PFI's ESMS
- Applicable World Bank Environmental and Social Standards (ESSs), particularly ESS1 and ESS2
- Relevant World Bank Group EHS Guidelines

The ESDD will:

1. Assess whether the SME has adequate environmental, social, OHS, and labor practices proportionate to its operations and risk profile.
2. Summarize key E&S characteristics of the MSME, including:
 - nature of operations;
 - legal and institutional framework;
 - site conditions;
 - environmental, social, labor, and OHS risks;
 - existing mitigation and monitoring measures;
 - emergency preparedness; and
 - contractor management (if relevant).
3. Evaluate whether the MSME has identified its E&S risks and mitigation measures appropriately, and identify any gaps, non-compliance, or outstanding regulatory issues.
4. Identify which ESS requirements and WBG EHS Guidelines apply and assess the MSME's level of compliance.
5. Identify any risks related to emissions, waste management, OHS, land use, community impacts, cultural heritage, or other ESS-related issues and assess technical feasibility and cost of mitigation.
6. Identify potential E&S-related financial risks (e.g., legacy contamination, hazardous materials, OHS liabilities) that could affect the MSME's financial performance.

7. Prepare an Environmental and Social Action Plan (ESAP) that sets out corrective actions, responsibilities, timelines, and resources required for the MSME to achieve compliance with national laws and PFI/World Bank requirements.

3. Tasks

The Consultant shall undertake the following tasks:

Task 1: Information Review

Review relevant documents and data provided by the MSME, which may include:

- business license and permits;
- environmental permits and certificates;
- environmental and social assessments (if any);
- waste, wastewater, and emissions records;
- OHS policies and incident records;
- HR policies, employee contracts, grievance mechanism;
- labor inspection reports (if any);
- any pending complaints, fines, or legal actions.

Additional documents may be requested based on initial findings.

Task 2: Site Visit

Conduct a site visit to:

- visually inspect operations and surrounding areas;
- observe waste management, emissions, storage, and OHS practices;
- hold interviews with management and workers;
- verify compliance with permits and regulatory requirements;
- identify any potential community, health, or environmental impacts.

For higher-risk MSMEs, the team may include specialists in OHS, environmental management, or social/labor issues.

Task 3: Preparation of Deliverables

The Consultant shall prepare the following:

(1) Preliminary Summary of Findings

A 3–5 page summary covering:

- key risks identified;
- any major non-compliance issues;
- immediate concerns requiring urgent action;
- missing documents or data gaps.

(2) E&S Due Diligence Report (ESDD)

The detailed report shall include:

- SME description and context
- Summary of regulatory requirements
- Findings from document review and site visit

- Risk categorization (Low / Moderate / Substantial, per PFI ESMS)
- Benchmarking against PFI ESMS and relevant ESS requirements
- Identification of non-compliance or gaps
- Assessment of E&S financial risks
- Recommendations for mitigation

(3) Environmental and Social Action Plan (ESAP)

A tabular ESAP including:

- action required;
- timeline;
- responsible person;
- cost estimate (if relevant).

If stakeholder engagement is weak or absent, the Consultant may propose a simplified Stakeholder Engagement Plan (SEP) appropriate to the MSME's scale.

4. Reporting Requirements

The Consultant shall submit:

Preliminary Summary of Principal Findings	Within two weeks after completion of the site visit.
Draft E&S Due Diligence Report (Draft ESDD)	Within two weeks of submitting the preliminary summary.
Final ESDD and ESAP	Within two weeks after receiving comments from the PFI.

All reports shall be provided in both editable and PDF formats.

5. Proposed Schedule

The ESDD should be completed within approximately 6–8 weeks, depending on the MSME's complexity:

- Document Review: ~2 weeks
- Site Visit: ~1 week
- Preliminary Summary: ~2 weeks after site visit
- Draft ESDD: ~2 weeks
- Final Report: ~2 weeks after comments

Annex 12: Representation Form for E&S Compliance

(to be submitted by MSMEs at the time of appraisal and subsequently every year to PFIs)

Name of the borrower:	Financing product:
Date of the representation	

1. We hereby confirm that all our activities and operations, to the best of our knowledge, comply with the following Applicable Environmental and Social Requirements set out in funding agreements (e).
 - environmental and social laws, rules and regulations set by the government authorities of Tanzania.
 - Exclusion list
 - PFI's ESMS

If there is non-compliance with any of the above, please provide detail plan on how these non-compliances are being addressed.

2. We hereby represent and warrant that, to the best of our knowledge and belief, there are no existing material E&S financial risks that may affect our ability to meet our financial obligations under the financing agreement. This includes, but is not limited to, risks arising from soil or groundwater contamination, the presence of hazardous materials (such as asbestos, PCB-containing equipment, lead-based paint), or any other environmental liabilities that could adversely impact the company's financial standing or asset value.
3. We confirm that adequate documentation supporting compliance with Environmental and Social (E&S) requirements is available for review by the PFI, its representatives, lenders, or shareholders. This documentation includes, but is not limited to, permits, licenses, environmental impact assessments, environmental management plans, monitoring reports, and any other relevant E&S compliance records.
4. We employ the following manpower (fulltime and temporary) in our operations:

Overall Labor Statistics				
		Men	Women	Total
Number of Employees				
Age Breakdown	18 - 25			
	26 - 35			
	36 - 45			
	46 - 55			
	> 56			

(provide data on persons with disability and other vulnerable groups separately)

1. We have a formal Human Resources policy that incorporates the following elements in the context of World Bank ESS 2 and in line with national labor regulations (please attach a copy of the policy):
 - Entitlement to and payment of salaries.
 - Overtime payments, hours of work and any legal maximums.
 - Entitlement to leave for holidays, vacation, illness, injury and maternity and other reasons.
 - The employees' right to form and join employees' organizations of their choosing without any interference or employment consequences and to bargain collectively with the employer.
 - Disciplinary and termination procedures and rights.
 - Grievance mechanism
 - non-discrimination and equal opportunity
 - Protection of workforce

(if there is no formal policy then provide details on how the above aspects are incorporated in employment of workers and attach this with the compliance statement)

2. We have a formal occupational health and safety and emergency preparedness procedure (life and fire safety) (provide a copy. If formal OHS policy is not there, then provide details of how OHS risks are managed).
3. There is a responsible person / team for human resource matters. [[enter name of the person or team leader here](#)]
4. All employees are familiar with the terms of the Human Resource policy.
5. All employees have written contracts. Number of contracts: [[enter number here](#)]
6. The HR Policy is readily accessible to employees. A copy of the policy is posted on a visible place: [[enter place where the policy is posted \(e.g. cafeteria, bulletin board\)](#)]
7. The company does not make any employment decisions based on personal characteristics unrelated to job requirements and does not discriminate with respect to aspects of the employment relationship, including recruitment and hiring, compensation, working conditions and terms of employment, access to training, promotion, termination of employment or retirement and disciplinary action.
8. The company has not received fines related to labor issues.
9. There are no labor cases been filed against the company in the national/international legal system.

Sincerely

.....
Signature
[Insert name]

Add representations on SEA/harassment, forced and child labor.

Annex 13: Annual E&S Performance Monitoring Report Format (from SMEs to PFIs)

Please note that the level of detail required in this Annual Environmental and Social (E&S) Monitoring Report may vary depending on the specific risk profile of the MSME and the type of financial instrument used. While this format provides comprehensive guidance for high, substantial and some medium risk projects, it may not be necessary for all MSMEs or for all types of financial instruments provided by the PFI. For MSMEs engaged in low or moderate-risk activities, a simplified report with less detail may be sufficient.

Please provide responses to the questions below. Please include additional sheets or attachments as required to provide details on questions that have been answered Yes.

SME name:		
Name and gender of owner:		
Location:		
Completed by (name):		
Position and contact details:	Date:	

Report Covering Period:	
From:	To:

Section A: Compliance with E&S requirements

E&S issues at approval	Current E&S status/any changes since last report
Have the E&S conditions precedent been met?	
Please provide the status of ESAP implementation along with supporting documents.	
Is the SME in compliance with the regulatory requirements along with evidence?	

Section B: E&S issues

E&S complaints and issues	Yes/No	If yes, explain and indicate actions being taken
Non-compliance with national legislation and regulations		
Complaints from regulatory agencies, interest groups, or local communities		
Non-compliance with E&S requirements in the finance agreement		
Existing material E&S financial risks		
Work-related fatalities or serious work-related injuries		
Any legal action		

Fines, penalties or increased permit charges		
Negative attention on the part of the media or NGOs (non-governmental organizations)		
Other material environmental and social issues affecting your operations during the reporting period		
Cost savings through process efficiency, waste minimization or other schemes, energy savings, ISO certification		
Reduction of polluting emissions into the environment		
Increased diversity/gender balance in workforce and management		
Positive media or NGO attention		

Section C: Environmental and Social Monitoring Data (only if relevant)

1. Ambient Air Quality

Monitoring frequency	Monitoring location	Monitored parameters	Annual average achieved	Compliance with National requirements
		SPM		
		Sox		
		NOx		
		Any other specified under consent to operate		

2. Single Point Air Quality Monitoring:

Monitoring frequency	Monitoring location	Monitored parameters	Regulatory limit as per consent to operate (in mg/ Nm3)	Annual average achieved (in mg/ Nm3)
		SPM		
		Sox		
		NOx		
		Any other specified under consent to operate		

3. Ambient Noise:

Monitoring frequency	Monitoring location	Monitored parameters	Regulatory limit [in dB(A)]	Annual average achieved [in dB(A)]

4. Liquid Effluent Discharges

Monitoring frequency	Monitoring location	Monitored parameters (Please mention at least those which are mandatory)	Regulatory limit as per	Annual average achieved
		pH		
		Biochemical oxygen demand (BOD ₅)		
		Chemical oxygen demand (COD)		
		Oil and grease		
		Total suspended solids (TSS)		
		Total coliform bacteria, Most Probable Number (MPN) or plate count (PC)		
		Ambient temperature of receiving waters at edge of zone where mixing with effluent takes place (if not defined, 100 meters from discharge point).		
		Heavy Metals, Total		
		(list other parameters)		

- Please mention total volume of effluent treated and discharged
- Please describe the water course(s) which the effluent is discharged into (e.g. river, municipal system, sea).
- If the effluent is treated prior to discharge from the site please describe the level/ type of treatment provided.
- If the effluent is discharged into a municipal system please confirm the level of treatment provided and where the municipal system discharges to.

5. Waste Management

Types and quantities of waste generated

Type of waste	Quantity generated	Disposal method
Solid Waste		
Biomedical waste		
Construction waste		

6. Employee Workplace Monitoring and Working Conditions

Sample Collection and Analysis Frequency	Required Workplace Monitoring Parameter	Country Regulatory Limits and Units	Annual average
	Particulate (Inert or Nuisance Dust)		
	(Other Parameters)		
	Workplace Noise		

Sample Collection and Analysis Frequency	Required Workplace Monitoring Parameter	Country Regulatory Limits and Units	Annual average
	(Other Parameters)		

7. Employee grievances

Provide information separately on:

- (i) Employee and labor grievances received, resolved and pending during the reporting period.
- (ii) Changes in hiring practices and HR policies and procedures.
- (iii) Any instances of child and forced labor during the reporting period.

8. Fire Safety Monitoring

Fire Safety Verification Activities	Mandatory Frequency	Date(s) Performed	Observed Deficiencies ⁶	Corrective Actions and Schedule for Implementation ⁷
1. Fire Drills				
2. Inspection and certification of fire detection and suppression electrical and mechanical systems.				
3. Portable fire extinguisher inspection, refilling/recharging				

9. Social monitoring

- (i) Provide information on complaints from community and other stakeholders regarding your operations? How were these addressed?

⁶ Attach additional sheets as needed to fully describe observed deficiencies.

⁷ Attach additional sheets as needed to fully describe corrective actions and implementation.

Annex 14: Annual E&S Performance Monitoring Report Format (to be submitted by CGC to the BoT)

Reporting period (month/year–month/year)	
Report completed by (name and designation)	
Contact e-mail address and phone number	
Date of the Report	

Part A – ESMS Implementation and E&S Capacity

Policies & Processes		Description
Have there been any updates to the E&S Policy and ESMS adopted by your organization?	Yes/No	If yes, please provide a copy of the updated policy including date when it was issued and reasons for the same.
Has senior management signed off on the updated policy/procedure?	Yes/No	If yes, please provide the date and internal communication indicating the same.
Please describe any activities for the last FY for staff training and other internal communication		
Give details of any transactions rejected on environmental, health, safety or social grounds		
State any difficulties and/or constraints related to the ESMS implementation		
Did you conduct site visits to PFIs and any SME in guaranteed portfolio?	Yes/No	If yes, please provide % of Projects (PFIs and MSMEs) that are covered
Are there instances of PFIs and SMEs non-compliance with E&S requirements?	Yes/No	Please include details
How were identified non-compliances addressed and what actions were taken?		Please provide details
What ESMS improvements been made to pre-empt the identified non-compliances by PFIs and guaranteed portfolio?		Please provide details
Capacity		
Please provide current staffing of the core E&S people as well as list other people in the organization involved with the ESMS implementation		

Has the E&S team undergone any training during the reporting period?	Yes/No	If yes, please provide details
Do you need more guidance on ESMS implementation? Please describe	Yes/No	

Part B: Information on PFIs

Please provide the following data for PFIs who are involved in the Project

Name of the PFI and country	E&S Category	Does the PFI have an ESMS compliant with the E&S requirements (Y/N)	Does the PFI have E&S staff	Date of last supervision by CGC	Key E&S issues identified during supervision	Actions taken to address the E&S issues.	Current E&S compliance status

Please describe how non-compliances (with ESAP, E&S requirements, etc.) by PFIs are addressed?

Please provide the following information for the PFI and MSME guaranteed portfolio

Issue	Yes	No	Development
Non-compliance with national legislation and regulations			
Non-compliance with CGC's standards			
Non-compliance with ILO and/or UN Conventions			
Non-compliance with covenants in the Facility Agreements			
Non-compliance with ESAP			
Complaints from regulatory agencies, interest groups, or local communities			
Fatalities or serious injury			
Strikes (with or without violence) or other labor disputes			
Legal action			
Fines, penalties or increased permit charges			
Negative attention on the part of the media or NGOs (non-governmental organizations)			
Any complaints, media reports related to exclusions under the FAST Project			

I. Complaints Handling Mechanism/ External Communication Mechanism

Please provide details regarding the use of complaints handling mechanism/ external communication mechanism during the reporting period

Types of inquiries and complaints	No. received	No. addressed/closed	No. pending	Reasons for pending inquiries & complaints	Average no. of days for closing complaints/inquiries
Inquiries about Project					
Inquiries about E&S eligibility					
Complaints about PFIs' E&S risk management					
Complaints about SMEs management of E&S issues					

Complaints related to exclusion from the Project					

Annex 15: Major E&S Incident Reporting Format

This format should be used for reporting any ESG incident, accident or issues that has material impact. Examples of serious and major E&S incidents include:

- Fire, explosions.
- Work-related injuries and fatalities (including deaths of employees, contract workers and, members of the public)
- Chemical spill
- Significant pollution discharges above limits of normal operation
- Incidents significantly affecting the health of employees, contractors, or members of the public.
- Strikes or employee unrest.
- Incidents leading to closure or stoppage of operations; and
- Significant community unrest.

Name of the MSME and Gender of owner (M/F)	
Name of the PFI	
Date of report	
Date of incident/ accident	
Name of the person filling this form (include contact details)	
Detailed description of the incident/ accident/ issue	
Provide details of injury and fatalities (if applicable)	
Where the local authorities informed about the incident/ accident	
Have the local authorities penalised? If yes, provide details	
What immediate actions were taken?	
What remedial and preventive actions are recommended to avoid similar incidents in future.	

Annex 16: Sectoral E&S Risks

This annex outlines common environmental and social (E&S) risks typically associated with MSMEs operating in the sectors supported by the project. These risks are general in nature, and their significance will vary based on the size and specific context of each MSME. The primary goal of this annex is to assist the staff of implementing agencies in identifying these potential risks. However, depending on the specific circumstances of the MSME, there may be additional risks that are unique to the business and activities of the MSME.

Sector	Environment risks	Social risks
Agro-processing	<ul style="list-style-type: none"> Agro-processing industries, such as food processing, often consume large quantities of water and discharge wastewater, which can lead to water contamination if not treated properly. This can impact surrounding communities and ecosystems. Processing agricultural products can generate significant amounts of solid waste (e.g., organic by-products, packaging waste). Poor waste disposal practices can result in land degradation and pollution. Many agro-processing operations rely heavily on energy (both electricity and fuel). Inefficient use of energy can lead to high greenhouse gas (GHG) emissions, contributing to climate change. Expansion of processing facilities may lead to land clearing, which can cause soil degradation, deforestation, and loss of biodiversity. The use of chemicals (e.g., pesticides, preservatives) in agro-processing can pose health risks to workers and the environment, especially if proper handling and disposal protocols are not in place. 	<ul style="list-style-type: none"> Agro-processing MSMEs may face challenges related to labor rights, including poor working conditions, wages lower than the minimum wages, lack of health and safety standards, and child labor. Workers are often exposed to health risks due to inadequate protection from machinery, chemicals, and poor ventilation. Processing plants located near communities can affect local populations due to noise pollution, odours, and emissions. Additionally, conflicts over resource usage (such as water) between MSMEs and local communities can arise. Workers in agro-processing industries can face occupational health and safety risks due to hazardous working environments, lack of protective gear, and insufficient safety measures. Agro-processing MSMEs often rely on local smallholder farmers, who may face their own E&S challenges. Disruptions in the supply chain, due to poor working conditions, child labor, or environmental degradation at the farm level, can pose risks for the processing companies. In Tanzania, women often play a significant role in agriculture and agro-processing, but they may not have equal access to opportunities or decision-making roles due to socio-cultural factors. Social risks can include

		gender discrimination and exclusion of marginalized groups from economic benefits.
Construction	<ul style="list-style-type: none"> MSMEs involved in the supply of construction materials may engage in unsustainable extraction of resources (such as sand, gravel, or timber), leading to environmental degradation, loss of biodiversity, or depletion of natural resources. MSMEs often handle construction waste at smaller sites, and inadequate waste disposal can cause pollution of local water bodies, soil contamination, and air pollution. The use of machinery, tools, and vehicles by MSMEs can contribute to fuel consumption and greenhouse gas (GHG) emissions. Though smaller in scale, the cumulative impact across multiple MSMEs can be significant, particularly in urban areas with high MSME activity. MSME construction activities, especially those involving demolition, cutting, or excavation, can produce dust and noise. Without proper mitigation measures (such as dust suppression or sound barriers), these activities can degrade local air quality and contribute to noise pollution, affecting nearby communities and workers. MSMEs may contribute to water contamination through improper disposal of hazardous materials like paints, solvents, or lubricants. Also, construction activities often require water for processes such as concrete mixing, which can lead to excessive water usage, impacting local water availability. 	<ul style="list-style-type: none"> Workers in the construction sector often face poor working conditions, including lack of proper health and safety measures, wages lower than the minimum wages, long working hours, and insufficient job security. Child labor and forced labor may also be concerns. Construction workers face significant OHS risks, such as falls from heights, accidents with heavy machinery, and exposure to hazardous materials like asbestos or chemicals. Inadequate safety protocols can increase accident rates. Construction sites can pose risks to nearby communities, including accidents, dust pollution, noise pollution, and disruptions to local infrastructure (roads, water supply, etc.). Communities may also face safety risks due to unsecured construction sites. Some construction projects require land acquisition, which may result in physical and economic displacement of local communities, leading to conflicts if not properly managed. MSMEs in construction often rely on subcontractors or suppliers, who may have their own E&S risks, such as poor labor practices or environmental damage in material extraction.
Fisheries	<ul style="list-style-type: none"> MSMEs, particularly in small-scale fishing, can contribute to overfishing, especially in inland waters. Non-compliance with regulations and fishing quotas or seasonal restrictions can lead to the depletion of fish stocks, threatening biodiversity and the long-term sustainability of the sector. Unsustainable fishing practices, such as the use of illegal nets or fishing in protected areas, can damage aquatic ecosystems, 	<ul style="list-style-type: none"> MSMEs in the fishery sector often employ informal labor, and working conditions may be poor, with low wages, lack of contracts, and exposure to unsafe conditions (e.g., handling of hazardous chemicals, exposure to the sun, or poor equipment on fishing boats). There are also risks related to child labor, particularly in fishing communities.

	<p>including coral reefs and breeding grounds. This can negatively affect the long-term productivity of fisheries and disrupt the balance of marine ecosystems.</p> <ul style="list-style-type: none"> MSMEs involved in fish processing (e.g., drying, smoking) often lack adequate waste management practices. This can lead to pollution of local water bodies and soil through the improper disposal of fish waste, as well as air pollution from the use of wood for smoking fish, contributing to deforestation and air quality issues. In some cases, MSMEs may use chemicals like formalin to preserve fish, posing health risks to consumers and contamination of the environment through improper disposal of these substances. In aquaculture, MSMEs may contribute to excessive water usage or pollution from uneaten feed, chemicals, or fish waste, affecting the water quality in ponds and surrounding areas. This can lead to eutrophication, harmful algal blooms, and degradation of natural water sources. 	<ul style="list-style-type: none"> Artisanal fishermen often lack proper safety equipment and are exposed to hazards at sea, including accidents, drowning, or injuries due to inadequate or unsafe fishing gear. Poor occupational health and safety measures in processing facilities also pose risks to workers. In areas where fishing is the primary livelihood, competition for dwindling fish resources can lead to conflicts between local communities, particularly between artisanal fishers and larger commercial operators.
Garment	<ul style="list-style-type: none"> Many MSMEs engage in textile dyeing and finishing processes that discharge untreated wastewater containing dyes, chemicals, and heavy metals into local water bodies, causing water contamination. Water-intensive processes such as dyeing, washing, and printing consume large amounts of water, contributing to water scarcity, especially in areas where water resources are already limited. MSMEs often use chemicals for bleaching, dyeing, and fabric treatment without proper disposal methods. This can lead to soil and groundwater contamination if toxic chemicals are improperly managed. MSMEs typically rely on energy-intensive machinery and processes that contribute to greenhouse gas emissions. Garment production generates significant fabric scraps and packaging waste. Poor waste management practices, such as open 	<ul style="list-style-type: none"> Many MSMEs operate informally, often failing to provide workers with formal contracts, or adequate wages. Workers in MSMEs often work in unsafe conditions, including poor ventilation, lack of protective gear, and exposure to harmful chemicals during fabric treatment and dyeing processes. In some cases, MSMEs may employ children in various stages of garment production, particularly in tailoring or handcrafting activities. Many MSMEs in the garment sector employ women, especially in sewing, tailoring, and finishing roles. However, women are often underpaid, and may face gender-based discrimination.

	burning or landfill disposal, contribute to environmental degradation.	
Information & Communication Technology/ Fintech	<ul style="list-style-type: none"> The IT sector generates electronic waste (e-waste), which includes outdated or broken devices, batteries, and other electronic components. MSMEs involved in the sale or repair of IT hardware may contribute to improper disposal of e-waste, leading to environmental contamination if not properly managed. MSMEs that operate data centers, servers, and other IT infrastructure may contribute to high energy consumption, particularly if they rely on non-renewable energy sources. The energy demand in the IT sector can increase carbon emissions if not managed with energy-efficient technologies. MSMEs involved in hardware production or assembly may use raw materials such as metals and plastics, contributing to resource depletion. The extraction of these materials can have environmental impacts if sourced unsustainably. The improper disposal or burning of electronic components can lead to the release of harmful chemicals into the environment, such as lead, mercury, and cadmium, which can contaminate soil and water sources. 	<ul style="list-style-type: none"> MSMEs that provide digital services or handle customer data may face risks related to data privacy breaches and cybersecurity threats. Ensuring secure data management is critical to avoid financial losses and protect customer trust. Many MSMEs in the IT sector employ young professionals and contractors. Issues such as fair wages, job security, and safe working conditions are key concerns. While MSMEs in the IT sector aim to bridge the digital divide, there may be unintended consequences of exacerbating inequality if access to digital services remains limited to urban or wealthier populations. Rural and marginalized groups may not benefit equally from advancements in IT infrastructure. The rapid expansion of the IT sector may disrupt traditional jobs or small businesses in non-digital industries.
Leather	<ul style="list-style-type: none"> Tanning is one of the most environmentally damaging processes in leather production. MSMEs involved in tanning often use chemicals like chromium, which, if not properly managed, can result in significant water pollution. Without adequate wastewater treatment facilities, these chemicals can contaminate local water bodies, harming aquatic life and affecting communities relying on these water sources. The leather manufacturing process generates solid waste, including discarded hides, skins, and chemical by-products. Improper disposal can contribute to soil contamination and landfill 	<ul style="list-style-type: none"> MSMEs in the leather sector, particularly in tanneries, may expose workers to hazardous chemicals without proper protective equipment (PPE). Workers handling toxic substances like chromium may face health risks, including respiratory problems and skin conditions. MSMEs often lack adequate training on safety standards and may not provide sufficient workplace safety measures. The leather industry, like many other sectors, is vulnerable to child labor, especially in smaller, informal MSMEs. Children may be involved in the collection of

	<p>overuse. Small tanneries may lack access to proper waste disposal systems, exacerbating the environmental impact.</p> <ul style="list-style-type: none"> The leather tanning process can release harmful gases such as ammonia, hydrogen sulphide, and volatile organic compounds (VOCs). MSMEs that lack efficient air treatment and ventilation systems could contribute to local air quality degradation, impacting both workers and nearby communities. The leather industry consumes large quantities of water, energy, and chemicals. MSMEs with limited resources may use outdated, inefficient technologies that exacerbate environmental harm through excessive resource consumption. 	<p>hides or work in unsafe environments without proper safety measures, violating labor standards and exposing them to harm.</p> <ul style="list-style-type: none"> Many MSMEs in Tanzania's leather sector operate informally and may not comply with labor laws regarding fair wages, working hours, and social benefits. Workers may face exploitation, job insecurity, and lack of access to benefits. Poor waste management and environmental degradation caused by MSMEs in the leather sector can affect local communities. Polluted water sources or air pollution may lead to health problems among nearby residents and reduce agricultural productivity, threatening local livelihoods.
Livestock	<ul style="list-style-type: none"> Overgrazing by livestock, particularly in areas where land is limited or poorly managed, can lead to soil erosion and land degradation. This is a common risk for MSMEs involved in large-scale livestock farming, which may not have sustainable grazing practices in place. Livestock farming requires substantial amounts of water for animal consumption and cleaning. MSMEs operating in regions with limited water resources can contribute to water scarcity, affecting local ecosystems and community water supplies. Livestock operations generate significant amounts of waste, including manure and slurry, which can contaminate water sources if not properly managed. MSMEs in the livestock sector may lack adequate systems for waste disposal, leading to environmental pollution. Livestock farming is associated with methane emissions from enteric fermentation in ruminants. While individual MSMEs may contribute small amounts, cumulatively, this can have a significant impact on Tanzania's greenhouse gas emissions. 	<ul style="list-style-type: none"> Workers in the livestock sector are exposed to various health risks, including zoonotic diseases (diseases that can spread from animals to humans), injuries from handling animals, and exposure to chemicals used in animal health treatments. MSMEs may lack proper training and equipment to ensure worker safety. MSMEs in the livestock sector may employ informal labor, often without proper contracts, fair wages, or access to benefits like health insurance. This can lead to exploitation of workers, especially in rural areas where labor regulations may not be strictly enforced. Livestock farming, particularly in pastoralist areas, can lead to conflicts over land and water resources. MSMEs that expand their operations may encroach on communal land or compete for scarce resources, leading to disputes with local communities. In some regions, livestock farming is deeply embedded in traditional cultural practices. MSMEs that engage in

	<ul style="list-style-type: none"> In some areas, MSMEs involved in livestock farming may contribute to deforestation as land is cleared to create space for grazing, leading to loss of biodiversity and increased carbon emissions. 	modern, commercial livestock farming may disrupt these practices, potentially leading to social tensions or resistance from local communities.
Manufacturing	<ul style="list-style-type: none"> MSMEs involved in manufacturing, especially in sectors such as textiles, chemicals, and food processing, generate significant amounts of solid and liquid waste. Improper waste disposal can lead to soil and water contamination, affecting surrounding ecosystems and communities Many manufacturing processes release pollutants into the air and water. MSMEs may lack the necessary technology or infrastructure to manage emissions effectively, leading to increased air pollution from particulate matter and hazardous gases. Water pollution from untreated industrial wastewater can also harm local water bodies and aquatic life. The manufacturing sector consumes large amounts of energy, and MSMEs often rely on less efficient and more polluting energy sources, such as diesel generators or coal. This contributes to increased carbon emissions and environmental degradation. MSMEs in the manufacturing sector may contribute to the over-extraction of natural resources, particularly in industries that rely on raw materials such as timber, minerals, or agricultural products. Unsustainable extraction practices can lead to deforestation, soil degradation, and loss of biodiversity. Some manufacturing MSMEs handle hazardous chemicals and materials that, if not managed properly, can result in environmental contamination. Inadequate storage and disposal of chemicals pose risks to both the environment and public health 	<ul style="list-style-type: none"> Workers in the manufacturing sector often face unsafe working conditions. SMEs may lack comprehensive safety measures, exposing employees to risks such as accidents, injuries, and exposure to harmful substances. Inadequate protective equipment and safety training are common issues. MSMEs in the manufacturing sector may not always adhere to labor regulations, leading to issues such as unfair wages, long working hours, and lack of job security. In some cases, MSMEs may employ informal labor, further exacerbating these challenges. There is a risk of child labor and exploitation in MSMEs, particularly in industries such as textiles and agriculture-related manufacturing. MSMEs operating in informal or poorly regulated environments may not comply with national labor laws designed to protect vulnerable groups. MSMEs operating in manufacturing hubs or near communities may have negative social impacts, such as noise pollution, reduced access to clean water, and displacement due to industrial expansion. Tensions may arise between manufacturing enterprises and local communities if these issues are not managed properly. Lack of Worker Benefits and Social Protections: MSMEs often do not provide adequate benefits such as health insurance, pension schemes, or maternity leave, leaving workers vulnerable to financial instability. This

		<p>lack of social protection is particularly prevalent in smaller enterprises where resources are limited.</p>
Minerals	<ul style="list-style-type: none"> Many MSMEs, particularly in artisanal mining, lack the resources to implement environmentally friendly practices. The use of harmful chemicals can result in significant contamination of soil and water bodies, negatively impacting ecosystems and communities reliant on these resources. MSMEs involved in mining often contribute to deforestation as land is cleared for mining activities. Unregulated mining can lead to severe land degradation, leaving large swathes of land unfit for agriculture or future use, causing long-term environmental damage. Mining operations, especially in mineral-rich rural areas, often disrupt local wildlife habitats, leading to a decline in biodiversity. MSMEs in the mineral sector may lack the resources and capacity to mitigate such impacts effectively. Improper disposal of mining waste, such as tailings and rock debris, can lead to environmental hazards. Many MSMEs do not have proper waste management systems in place, leading to pollution and health risks for nearby communities. Mining operations generate dust and emissions from machinery, causing air pollution. The noise from continuous operations can also impact the quality of life for nearby residents. MSMEs may struggle to implement sufficient pollution control measures due to financial or technical constraints. 	<ul style="list-style-type: none"> Workers in small-scale mining operations are often exposed to hazardous working conditions. Lack of proper equipment, inadequate safety training, and poor working environments increase the risk of accidents and health issues such as respiratory illnesses caused by dust and chemical exposure. In some regions, particularly in small-scale mining, there are reports of child labor and exploitation. MSMEs may not always adhere to labor laws, leading to issues such as low wages, unsafe working conditions, and exploitation of vulnerable groups. Mining activities can result in the displacement of local communities, leading to loss of livelihoods and land. Conflicts may arise between mining MSMEs and local communities over resource allocation, land rights, and environmental degradation, which can escalate if not properly managed. Mining activities, especially those conducted by small-scale operators, can disrupt traditional livelihoods such as agriculture and fishing. Communities dependent on these activities may face reduced income and food security due to environmental damage caused by mining. MSMEs in the mining sector often operate in remote areas where access to essential services such as healthcare, education, and clean water is limited. The influx of workers and mining operations can strain these resources, further exacerbating the challenges faced by local populations.

Tourism	<ul style="list-style-type: none"> Many MSMEs operating near national parks or natural reserves may contribute to habitat degradation through the development of infrastructure (lodges, restaurants, etc.), leading to habitat loss, disturbance to wildlife, and biodiversity depletion. Tourism activities often generate large amounts of waste, including plastic, food, and other non-biodegradable materials. Poor waste management by MSMEs can lead to littering in natural areas, which harms ecosystems and wildlife. MSMEs such as lodges, restaurants, and guesthouses often consume significant amounts of water for daily operations. In tourist-heavy areas, this can lead to water shortages, especially in regions where water is already scarce. MSMEs often rely on non-renewable energy sources for power, contributing to greenhouse gas emissions. High energy use in transportation services (tour buses, shuttles) also adds to the carbon footprint of tourism-related activities. MSMEs providing transportation services for tourists (e.g., safaris, shuttle buses) contribute to air pollution, especially when vehicles are not properly maintained or are outdated, emitting higher levels of harmful gases. 	<ul style="list-style-type: none"> Many MSMEs in the tourism sector employ informal labor with limited job security, low wages, and a lack of social protection benefits. The expansion of tourism infrastructure by MSMEs may lead to the displacement of local communities, especially in areas near national parks or beaches, without providing adequate compensation or alternative livelihoods for those affected. MSMEs offering cultural tourism services (e.g., visits to Maasai villages) may exploit indigenous communities by using their traditions and lifestyle as tourist attractions without providing fair financial returns or respecting their cultural integrity. In some cases, MSMEs in the tourism sector may employ children, especially in informal jobs such as handicraft production, guiding, or even working in hospitality. This can impact children's education and development. Tourism can lead to changes in the social fabric of local communities, such as increased prices of goods and services, which may disproportionately affect low-income households. Additionally, tourism-driven inflation can cause economic disparities within communities.
Transport	<ul style="list-style-type: none"> Many transport MSMEs operate older vehicles that are poorly maintained, leading to higher emissions of carbon monoxide, sulphur dioxide, and particulate matter. This contributes to air pollution, especially in urban areas, exacerbating health issues such as respiratory illnesses. MSMEs operating in the transport sector rely heavily on fossil fuels, contributing to high levels of greenhouse gas emissions. The 	<ul style="list-style-type: none"> Drivers and workers in the transport sector are exposed to long hours, poor working conditions, and the risk of road accidents. MSMEs often lack formal structures for ensuring worker safety, leading to higher accident rates and work-related injuries. In many MSMEs, especially those operating informal transport services, workers may not have formal contracts or access to social protections. This can lead

	<p>lack of fuel-efficient vehicles further increases their carbon footprint.</p> <ul style="list-style-type: none"> • Frequent transport activities by MSMEs, especially in congested urban areas, contribute to noise pollution, affecting both residents and businesses. This can degrade the quality of life, particularly in high-density areas. • Transport MSMEs generate waste, including used oil, batteries, and vehicle parts, which may not be disposed of properly. Poor waste management practices can result in soil and water contamination. • The increasing number of small transport operators can contribute to road congestion, leading to higher fuel consumption, longer travel times, and increased pollution. 	<p>to labor exploitation, poor wages, and lack of benefits such as health insurance.</p> <ul style="list-style-type: none"> • Increased transport activity in certain areas can disrupt local communities, contributing to noise, traffic, and potential displacement if road expansions are required. MSMEs need to engage with communities to mitigate these social impacts. • Many transport MSMEs operate without proper safety standards, contributing to higher accident rates. Poor vehicle maintenance and inadequate driver training further increase the risk of accidents, endangering passengers, pedestrians, and other road users.
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Annex 17: Bank of Tanzania's Grievance Mechanism

1. Grievance Mechanism

A Grievance Mechanism (GM) is a system that allows not only grievances, but also queries, suggestions, positive feedback, and concerns of project-affected parties related to the environmental and social performance of a project to be submitted and responded to in a timely manner.

1.1 Objectives of the Grievance Mechanism

The objectives of the Project GM are to:

- Facilitate the receipt, documentation, analysis, and resolution of complaints and grievances that may arise during project implementation, while keeping complainants updated on the progress of grievance resolution.
- Foster transparency and accountability with stakeholders involved in project implementation, including project beneficiaries.
- Address any emerging environmental, social, health, and safety grievances within the project.
- Ensure equitable access to grievance redress for vulnerable groups and survivors of Sexual Exploitation and Abuse/ Sexual Harassment (SEA/SIH), with a focus on survivor-centered responses to grievances related to SEA/SIH.

The GM will be widely publicized among stakeholder groups such as the affected parties, e.g., governments, government agencies, MSMEs, non-government organizations (NGOs), women, youth, etc. The two PIUs will disclose the GM on their website and will require all agencies involved in the project implementation to develop and disclose their respective GMs.

1.2 Description of Grievance Mechanism

Steps involved in GM

Step		Timeframe
Reporting of grievances	<p>Grievances can be submitted via the following channels</p> <ul style="list-style-type: none">• Toll-free telephone hotline: 1 Office Number: 2 Phone Number: 3 Phone number: • E-mail to:• Letter to:	

Step		Timeframe
	<ul style="list-style-type: none"> • In-person at a physical facility: • Grievance or suggestion boxes located: • Social media: • Online form on the following website: <p>Complains can be submitted anonymously.</p> <p>Refer Appendix 1 for grievance form</p>	
Acknowledgement and follow-up	Receipt of the grievance is acknowledged to the complainant by the E&S Safeguards coordinator of the PIU	Within 2 days of receipt
Verification, investigation, action	<p>The grievances will be assessed and allocated to respective departments and officials for resolution. After determining the validity of the grievance, it will be investigated, and a resolution will be proposed to the complainant.</p> <p>An anonymous complaint will be investigated and handled in a confidential manner.</p> <p>If there is no corrective action required and if the solution is acceptable to the complainant, then PIU will implement the solution(s) and settle the issue(s) and the complaint should be considered closed.</p>	Within 10 working days of acknowledgement
Monitoring and evaluation	Should corrective actions be necessary to resolve the grievance, their implementation will be monitored and reported back to the complainant.	Corrective actions to be implemented within the agreed timeline

1.3 Grievance related Gender-Based Violence (GBV) issues

The GM adopts a survivor-centered approach for grievances related to Gender-based Violence (GBV). It is aimed at ensuring the safety and confidentiality of survivors, while fostering a supportive, protective, and empowering environment for their rights. Training will be provided to PIU staff involved in implementing the GM to effectively report, receive, and document cases of sexual and GBV.

GBV complaints will be thoroughly investigated in accordance with the laws of the respective countries and the requirements set forth by the World Bank. Addressing GBV issues during the

project's implementation stage is paramount to prevent disruption and delays in the process, making it a top priority for the institution.

Recognizing the potential stigma, rejection, and reprisals faced by GBV survivors, the project will engage service providers to ensure adherence to proper GM procedures, protocols, and tools, prioritizing confidentiality, and a survivor-centred approach. The GM offers multiple channels for registering complaints in a safe and confidential manner, with strict confidentiality measures in place to protect the identity of complainants. Appendix 2 includes a format for reporting SEA/SH related complaints.

Appendices

- Appendix 1: Grievance Form
- Appendix 2: SEA/SH Reporting Form

Appendix 1: Complaints form

GRIEVANCE FORM	
Date of complaint:	
Name:	
Region:	District:
Phone no. and email id:	
Postal address:	
Details of grievance (please give a summary of your complaint and attach all supporting documents [Note to indicate all the particulars of <i>what</i> happened, <i>where</i> it happened, <i>when</i> it happened and by <i>whom</i>]):	
Name and designation of the person recording grievances (in case of verbal grievances):	
Signature of recording person (in case of verbal grievances)	
Signature of complainant	

Appendix 2: SEA/SH Reporting Form

SEA/SH Incident Reporting Form	
Date of complaint:	
Name of the complainant:	
Name of victim/survivor (if different from complainant):	
Region:	District:
Age of the victim:	Sex of the victim:
Phone no. and email id of the complainant:	
Postal address of the complainant:	
Name (s) & address of parents/legal guardian, if under 18:	
Has survivor given consent for completion of this form? YES: NO:	
Details of incident including location (please give a summary of your complaint and attach all supporting documents [Note to indicate all the particulars of <i>what</i> happened, <i>where</i> it happened, <i>when</i> it happened and by <i>whom</i>]):	
Physical and emotional state of the victim/survivor (Describe any cuts, bruises, lacerations, behaviour and mood, etc):	
Witness' Name & Contact Information:	
Briefly describe service provided to survivor:	

SEA/SH Incident Reporting Form	
Date of complaint:	
Name of Accused Person (s) and their job title and the organization the Accused Person (s) Works for:	
Address of Accused Person:	
Age: _____ Sex: _____	
Physical Description of Accused Person:	
Name and designation of the person recording complaint (in case of verbal grievances):	
Signature of recording person (in case of verbal grievances)	Signature of complainant