

REPUBLIC OF LEBANON

KAFALAT SAL

**ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM
(ESMS)**

BEIRUT

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Abbreviations and Acronyms

B5	Building Beirut Businesses Back & Better Fund Project
BPC	Biological Pest Control
CERC	Contingent Emergency Response Component
CDR	Council for Development and Reconstruction
COVID-19	Corona Virus Disease
EIA	Environmental Impact Assessment
E&S	Environmental and Social
ESA	Environmental and Social Audit
ESCP	Environmental and Social Commitment Plan
ESF	Environment and Social Framework
ESFD	Economic and Social Fund for Development
ESMF	Environmental and Social Management Framework
ESMS	Environmental and Social Management System
ESS	Environmental and Social Standard
FI	Financial Intermediaries
GATE	Lebanon Green Agri- Food transformation for economic recovery Project
GOL	Government of Lebanon
GM	Grievance Mechanism
IEE	Initial Environmental Examination
IPF	Investment Project Financing
LMP	Labor Management Procedures
M&E	Monitoring and Evaluation.
MFI	Microfinance Institutions
MoE	Ministry of Environment
MSEs	Micro and Small Enterprises
NGO	Non-Governmental Organization
PCU	Project Coordination Unit
PIA	Project Implementation Agency
POM	Project Operations Manual
PPE	Personal Protective Equipment
3RF	Reform, Recovery and Reconstruction Framework
RF	Resettlement Framework
SDGs	Sustainable Development Goals
SEP	Stakeholder Engagement Plan
SMEs	Small and Medium Enterprises
TPMA	Third Party Monitoring Agency
WB	World Bank
WBG	World Bank Group

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Introduction

Kafalat SAL (Kafalat) developed an ESMS in July 2021 under the B5 Fund Project. This Project is implemented under the World Bank's new Environmental and Social Framework (ESF). The existing ESMS has been fully adopted and promoted by Kafalat senior management for all its supported projects, and is being successfully implemented through the Building Beirut Businesses Back & Better Fund Project (B5) fund different components including the selected participating Microfinance Institutions (MFIs) under Components 1 and 2.

The Environmental and Social (E&S) specialist who was hired for the B5 fund project, developed an environmental and social training toolkit. The ESMS training included screening criteria for the direct beneficiaries, indirect beneficiaries and the sub-project proposals against E&S risks, and exclusion list; procedures for managing the E&S risks and monitoring and reporting system on the E&S performance of sub-projects and the Microfinance Institutions (MFIs). The ESMS developed under B5 Fund Project is now adopted at the institution level and is being updated and adapted to the Green Agri-Food Transformation For Economic Recovery (GATE) project. The objective of the GATE Project is to strengthen the resilience of the Lebanese agri-food sector, including through improved delivery of environmentally sustainable public services in rural communities.

The GATE project will have national coverage with a focus on lagging rural regions following a cluster approach. The project will benefit the agrifood sector countrywide. The GATE project consists of four components plus a Contingent Emergency Response Component (CERC) and implemented over a five-year period for a total budget of US\$ 200 M

Below is a short description of the project components. Please refer to the ESMF for a more detailed description of the components.

Component 1: Climate Smart Investments in Agri-food Value Chains (US\$ 74 million): Project Support will be provided on a demand-driven basis nationwide.

The objective of this component is to strengthen the resilience, improve the competitiveness of agri-food value chains, create income opportunities and reduce out-migration from rural areas.

Sub-Component 1.1: . **Climate Smart Support to Smallholder Farmers (US\$ 20 Million).** The objective of this sub-component is to provide short-and medium-term financial support to smallholder famers, including women, to restore and boost climate smart agriculture productions, and to promote linkage with other smallholder's farmers and with buyers/of-takers. This sub-component will be technically led by MoA and implemented by the Project Coordinating Unit (PCU) under the Council for Development and Reconstruction (CDR). A service provider will be recruited competitively as a grant administrator.

Subcomponent 1.2: **Support to Agrifood, Agritourism SMEs and producer associations and Sustain the capacity of MFIs (US\$ 54 million).** The objective of this sub-component is to provide urgent liquidity in the form of soft loans to eligible SMEs and producer associations operating in the agri-food and agri-tourism sectors, and to provide Financing Facilities to eligible MFIs for further on-lending for farmers and microenterprises operating in agri-food value chain. This sub-component will be implemented by Kafalat through a subsidiary agreement with the CDR.

This Component would sustain and create livelihood opportunities for Lebanese host communities, youth, women and displaced population.

Component 2. Climate-Smart Infrastructure and Services for Agrifood Development (US\$ 100 million)

The objective of this component is to restore service delivery, build operational capacity and ensure the sustainability of public infrastructure underpinning the agrifood sector across necessary scales. It will be structured across two sub-components:

Sub-component 2.1: Improving Rural Community Infrastructure for Agriculture (US\$31 million)

The objective of this sub-component is to improve rural community infrastructure to support agri-food development. It will focus on water storage, small community-/farmer-led irrigation networks, rural roads, as well as farmer markets and exhibitions, and other demand-driven agricultural sub-projects. The sub-component will be implemented by the Green Plan in close coordination with respective Unions of Municipalities/Municipalities and MoA.

Sub-component 2.2: . **Restoring Access and Protecting Agency-managed Infrastructure and Services Underpinning Agriculture (US\$69 million).** The objective of this sub-component is to restore essential services and protect infrastructure underpinning the resilience and competitiveness of agri-food systems and their protection from permanent loss in the context of the current financial and governance **crisis**. This sub-component will be implemented by CDR, in close coordination with respective municipalities, union of municipalities and sectoral ministries.

The component will generate large indirect benefits for host communities and displaced populations through several channels.

Component 3: Improving the Enabling Environment and Restoring Support Services for Agrifood Development (US\$ 20 million)The objective of this component is to restore and strengthen the capacity of sector institutions to support the recovery and transformation of the agri-food sector. The component would be implemented by the PCU under the technical leadership of the Ministry of Agriculture (Sub-component 3.1 and 3.2) and the Ministry of Economy and Trade (Sub-component 3.3)..

Component 4: Project and Knowledge Management (US\$ 6 million)

This component would support the coordination and management of the implementation of the project. It would finance the overall project management, including the following aspects: (i) project management and coordination among different actors and stakeholders; (ii) monitoring and evaluation, including periodic beneficiary satisfaction surveys, and establishing a baseline, mid-term, and final survey six months before project completion (including gender and nationality disaggregated data); (iii) project environmental and social standards; (iv) gender specialist (to ensure activities are gender sensitive in their design and implementation as well as monitor results related to gender); (v) project fiduciary administration, internal controls, and audits; (vi) communication and information activities, and (vii) the establishment and maintenance of a grievance mechanism (GM) and a citizen's engagement mechanism. This component will also finance timely communication of results (e.g., publishing and disseminating project results, best practices, and success stories). This component will also finance a third-party monitoring (TPM) mechanism. It will also enhance coordination and knowledge sharing among stakeholders across government, private sector, local communities, and civil society (including to develop an action plan to combat child labor and a roadmap to improve social protection for farmers). The project would also recruit a Service Provider (NGO) specialized in child labor prevention and response and who will be responsible for supporting the project in preventing, mitigating, monitoring, and responding to such risks during implementation.

Component 5: CERC

This component would have zero funding allocation at the onset and would only be triggered in emergency circumstances; the IPF would support the preparation of a procedure manual governing the CERC operations.

Table 1: Relevant Environmental and Social Standards to the Project

ESS	Objectives
<p>ESS1: Assessment and Management of Environmental and Social Risks and Impacts</p>	<ul style="list-style-type: none"> • Sets out the Borrower’s responsibilities for assessing, managing and monitoring Environmental and Social (E&S) risks and impacts associated with each stage of a project supported by the WB through IPF, in order to achieve E&S outcomes consistent with the ESS. The preparation of the Environmental and Social Management Framework (ESMF) falls under this ESS.
<p>ESS2: Labor and Working Conditions</p>	<ul style="list-style-type: none"> • Recognizes the importance of employment creation and income generation in the pursuit of poverty reduction and inclusive economic growth. Borrowers can promote sound worker-management relationships and enhance the development benefits of a project by treating workers in the Project fairly and providing safe and healthy working conditions. The preparation of the Labor management procedures (LMP) falls under this ESS the provisions for which are included in the Environmental and Social Commitment Plan (ESCP).
<p>ESS3: Resource Efficiency and Pollution Prevention and Management</p>	<ul style="list-style-type: none"> • Recognizes that economic activity and urbanization often generate pollution to air, water, and land, and consume finite resources that may threaten people, ecosystem services and the environment at the local, regional, and global levels. This ESS sets out the requirements to address resource efficiency and pollution prevention and management throughout the project life cycle.
<p>ESS4: Community Health and Safety</p>	<ul style="list-style-type: none"> • Addresses the health, safety, and security risks and impacts on project-affected communities and the corresponding responsibility of Borrowers to avoid or minimize such risks and impacts, with particular attention to people who, because of their particular circumstances, may be vulnerable.
<p>ESS5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement</p>	<ul style="list-style-type: none"> • Recognizes that involuntary resettlement should be avoided. Where involuntary resettlement is unavoidable, it will be minimized and appropriate measures to mitigate adverse impacts on displaced persons (and on host communities receiving displaced persons) will be carefully planned and implemented. The preparation of the Resettlement Framework (RF) falls under this ESS.

ESS	Objectives
ESS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources	<ul style="list-style-type: none"> Recognizes that protecting and conserving biodiversity and sustainably managing living natural resources are fundamental to sustainable development and it recognizes the importance of maintaining core ecological functions of habitats, including forests, and the biodiversity they support. ESS6 also addresses sustainable management of primary production and harvesting of living natural resources, and recognizes the need to consider the livelihood of project-affected parties, whose access to, or use of, biodiversity or living natural resources may be affected by a project.
ESS9: Financial Intermediaries	<ul style="list-style-type: none"> Recognizes that strong domestic capital and financial markets and access to finance are important for economic development, growth, and poverty reduction. The WB is committed to supporting sustainable financial sector development and enhancing the role of domestic capital and financial markets.
ESS10: Stakeholder Engagement and Information Disclosure	<ul style="list-style-type: none"> Recognizes the importance of open and transparent engagement between the Borrower and project stakeholders as an essential element of good international practice. Effective stakeholder engagement can improve the E&S sustainability of projects, enhance project acceptance, and make a significant contribution to successful project design and implementation. Stakeholder Engagement is conducted throughout the project cycle and further details are included in the Stakeholders' Engagement Plan (SEP).

Objectives of the ESMS

The ESMS helps the Financial Intermediary Kafalat, which is implementing sub-Component 1.2 of the Project, by supporting high growth producer associations, agribusiness and agri-tourism SMEs through the funding of development of business plans and soft loans, avoid / or better manage commitments presenting potential environmental and social risks. The ESMS calls for carrying out environmental and social due diligence prior to the disbursement of funds and to ensure adequate supervision of projects during the period of investment.

The ESMS includes:

1. Environmental and social policy
2. Environmental and social procedures for project selection, categorization of E&S risks and their due diligence assessment
3. Institutional capacities and skills with clear definition of ESMS management roles and responsibilities
4. Monitoring and reporting mechanisms
5. Stakeholder engagement and grievance mechanism

Kafalat will have to take on overall responsibility for the implementation of subcomponent 1.2 of the Project, including implementation of relevant sections of the ESCP with qualified staff and resources to support management of E&S risks and impacts of the Project, including ensuring there is a hired E&S specialist who is responsible for the monitoring of the implementation of the ESMS, and a senior management representative;

2. Environmental and Social Policy

2.1 Kafalat Commitments

Kafalat is a Lebanese financial company owned by the National Institute for the Guarantee of Deposits (for 75%) and by around 23 commercial Lebanese banks (for 25%). It helps Micro and Small Enterprises (MSEs) by providing loan guarantees based on business plans/feasibility studies that show the viability of the proposed business activity.

Kafalat is committed to meeting the priority objectives of sustainable development and the 17 Sustainable Development Goals (SDGs) in its economic, social, environmental, and cultural dimensions to achieve a better and more sustainable future for all.

Also, Kafalat undertakes to implement its commitments related to environmental and social issues within its structure and high growth producer associations, agribusiness and agritourist businesses receiving funds from the Project through Kafalat. Kafalat integrates social and environmental responsibility in its governance system and in its activities. In this context, it takes measures to:

- Limit the negative impact linked to its activity by aiming to minimize energy and water consumption and waste management as well as by favoring renewable energy sources, in particular by promoting green purchases, to the extent reasonably possible.
- Provide a favorable environment for collaborative work and the commitment of its staff,
- Promote gender equality and ban all forms of discrimination in professional treatment at all levels,
- Encourage the high growth producer associations, agribusiness and agritourist businesses to guarantee a favorable social climate for the development of their staff, to the extent reasonably possible¹,
- Support investments with a strong social and professional impact, particularly in the area targeted by the Project,
- Support programs promoting the integration of vulnerable populations into the ecosystem, to the extent reasonably possible,
- Consider, screen and assess the environmental and social aspects associated with its financing activities and mitigate any negative impacts,
- Establish a permanent dialogue with its stakeholders,

¹ This has been added to the policy to be adapted to the GATE project.

- Encourage its staff and those of partners to implement good environmental and social practices,
- Be a strategic partner in investments in favor of energy efficiency, the development of renewable energies and adaptation to climate change,
- Exclude the financing of clients / companies of investment projects that do not respect these principles,
- Define the environmental and social obligations of clients / companies in which it invests, such as the obligation to comply with national environmental and social regulations, the Environmental and Social Framework of the World Bank and international standards,
- Communicate its environmental and social expectations to all staff, clients / companies in which it invests and other external actors,
- Overall improve the environmental and social performance of its portfolio through better risk management, supported by monitoring and reporting,
- Continuously improve the ability of staff members, including managers and financial analysts, to identify environmental and social risks.

2.2 Objectives

This environmental and social policy details the steps and procedures to be followed within the framework of the investments made by Kafalat under the supervision of the personnel in charge of environmental and social risks.

Kafalat has developed an ESMS for B5 Project that was adopted by the institution and is considered as its environmental and social policy. The present ESMS is an update of the previous ESMS and has been approved by its General Management and describes the commitments, objectives and indicators defined by Kafalat in terms of environmental and social risk management relevant to the GATE Project. This ESMS clearly sets out the provisions applicable to the operations of Kafalat under the sub-component 1.2 of the GATE Project in particular the following:

- All Kafalat activities will be developed and implemented in accordance with national environmental and social laws and regulations applicable to financing activities,
- All Kafalat activities will be selected considering the **exclusion clauses contained in its exclusion list** (see [Annex I](#)),
- All Kafalat activities will be reviewed to determine whether they present environmental and social risks and / or effects, and
- All Kafalat activities will apply the relevant provisions of the WB's ESSs 1, 2, 3, 4, 5, 6, 9 and 10 of the ESF.

This ESMS describes Kafalat's approach to the environmental and social impacts of its projects and:

- Includes a commitment to continuous improvement,
- Includes a commitment to comply with applicable legal requirements, the ESF and other applicable requirements to which Kafalat has subscribed, relating to its environmental and social aspects,
- Is documented, implemented, and kept up to date,
- Is communicated to any person working for or on behalf of Kafalat, and

- Is available to the public.

2.3 Principles

This ESMS describes the principles and procedures to be followed during the preparation and implementation of measures carried out by Kafalat to assess the environmental and social impacts and is an integral part of the ESMS. In this context, the ESMS pursues the following principals:

- Ensure that by pursuing its mission, the projects and programs supported by Kafalat do not cause unnecessary environmental and social damage, to the extent reasonably possible,
- Define a common global framework to incorporate all environmental and social standards in the planning, evaluation, implementation and monitoring of projects / programs funded by Kafalat,
- Promote transparency, predictability and accountability in environmental and social impact classification and assessment decision-making processes,
- Align the practices of Kafalat with those of international organizations ensuring the implementation of sustainable development projects, and
- Encourage promoters and partners directly funded or supported (indirectly funded) by Kafalat to take into account the environmental and social risks and impacts in an appropriate manner.

2.4 Scope of the Policy and its application to the Project

Kafalat will ensure that all its supported projects are in line with the following environmental and social conditions:

- Kafalat exclusion list for all projects (see [Annex 1](#))
- National and international laws and standards applicable to social, environmental and health and safety issues (See [Annex 2](#), [Annex 3](#), [Annex 7](#) and [Annex 12](#)),
- The ESSs set out in the ESF of the World Bank.

The ESMS updated under the GATE Project will be extended to other projects supported by Kafalat.

3 Environmental and Social Management System of Kafalat

3.1 The Role and Responsibilities of Kafalat

- The responsibilities of Kafalat are in line with its role as a FI, which is to provide financing for projects after agreement of the entity in charge.
- Kafalat may refuse to finance a project for environmental or social reasons. It does not knowingly finance projects that foresee or lead to forced evictions.
- In addition, it opposes the financing of several types of activities, in accordance with the Kafalat Exclusion List for environmental and social reasons set out in [Annex 1](#) of this ESMS.
- The ESMS must be commensurate with the potential scope and severity of the environmental and social risks inherent in the project or program when it is designed.
- If the proposed projects / programs present environmental and social risks, Kafalat should ensure that the E&S impacts of these projects / programs are thoroughly evaluated.

- Kafalat and project beneficiaries will also have to identify corrective measures to avoid, reduce or mitigate the environmental and social risks and impacts identified and compensate for any remaining impacts as applicable. high growth producer associations, agribusiness and agritourist businesses will have to co-sign the ESMS with Kafalat.
- Finally, Kafalat will monitor and report on the status of these measures throughout the project or program.
- Kafalat will abide by its Human Resources Procedures (provided in [Annex 8](#))

3.2 The Role and Responsibilities of beneficiaries

- Beneficiaries, including high growth producer associations, agribusiness and agritourist businesses, will prepare and implement E&S instruments according to the risk rating of the sub-projects and the national regulations
- The beneficiaries will assign an E&S focal point to have overall accountability for E&S performance, and to coordinate E&S requirements and implementation of the Project ESCP, ESMS and to document implementation and status in progress reports and report back to Kafalat’s E&S specialist assigned on the GATE Project
- The above roles and responsibilities will be part of contracts between Kafalat and beneficiaries

3.3 Process of Execution of the Environmental and Social Policy

3.3.1 Evaluation of Projects

All projects are subject to an environmental and social assessment to help Kafalat decide whether the project should be funded and, if so, how to address environmental and social aspects in its planning, implementation, and execution.

The assessment depends on the nature and scope of the project, is proportionate to the magnitude of the environmental and social risks and impacts and takes into account the hierarchy of mitigation measures.

It is the beneficiaries’ (including high growth producer associations, agribusiness and agritourist businesses) responsibility to ensure that the appropriate information is provided so that Kafalat can perform an environmental and social assessment in accordance with this ESMS.

The role of Kafalat consists of:

1. Examining beneficiaries’ information,
2. Advising beneficiaries to help them design appropriate measures that are consistent with the hierarchy of mitigation measures to address environmental and social impacts, and
3. Helping identify opportunities for additional environmental or social benefits.

The assessment conducted by Kafalat requires beneficiaries to identify stakeholders potentially affected by and / or interested in the projects, disclose sufficient information on the impacts and issues arising from the projects, and consult stakeholders meaningfully.

Kafalat shall perform due diligence checks on to SMEs, including Agri-food and Agri-tourism SMEs and producer associations to assess:

1. The beneficiaries' existing environmental and social policies and procedures and their capacities to implement them,
2. The environmental and social problems associated with the potential beneficiaries' project and the ones it is likely to have, and
3. The measures necessary to strengthen the protection system in place within the beneficiaries' businesses in the environmental and social fields.

3.3.2 Categorization

Kafalat assigns a category to each subproject to determine the nature and scope of environmental and social studies, the information to be disclosed and the needs in terms of stakeholder consultation. These elements are proportioned to:

1. The nature, location, sensitivity, and size of the project,
2. The nature and extent of potential E&S risks and impacts,
3. The beneficiaries' capacity and commitment to manage E&S risks and impacts.

High Risk: A project is classified as high risk after considering the risks and impacts of the project, considering the following, as applicable:

a) The project is likely to generate a wide range of risks and significant negative social and environmental impacts:

- (i) Long term, permanent and / or irreversible and impossible to avoid entirely due to the nature of the project,
- (ii) Large in scale and / or spatial extent,
- (iii) Significant negative cumulative impacts, and / or
- (iv) A high probability of serious adverse effects on human health and / or the environment (such as potential accidents, disposal of toxic waste, etc.).

b) The area likely to be affected has high value and sensitivity, for example sensitive and valuable ecosystems and habitats (areas of high biodiversity value protected and internationally recognized).

c) Some of the significant negative E&S risks and impacts of the project cannot be mitigated or specific mitigation measures require complex and / or unproven mitigation measures or compensatory measures or technologies.

d) There are significant concerns that the negative social impacts of the project and associated mitigation measures may be the source of social conflict, damage, or significant risk to human security.

e) The beneficiaries' past experience in developing complex projects is limited; the E&S track-record would present significant problems or concerns given the nature of the risks and the potential impacts of the project / program.

f) The proposed interventions fall under Projects requiring an Environmental and Social Audit (ESA) for subprojects including working capital soft loans, and /or Environmental and Social Impact Assessment (ESIA) for new investments as per the requirements of ESS1 and Lebanese Law 8633/2012. (See [Annex 2](#), [Annex 7](#) and [Annex 12](#)). The E&S instruments under this category will include, as relevant, site specific Pest Management Plan (PMP) in accordance with the PMP presented in [Annex 11](#).

Substantial risk: A project is classified as substantial risk after examining the risks and impacts of the project, taking into account the following elements, as the case may be:

a) The project may not be as complex as high-risk projects, its scale and impact may be smaller and the location may not be in such a highly sensitive area, and some risks and impacts may be significant.

This would determine whether the risks and potential impacts exhibit most or all the following characteristics:

- (i) They are mostly temporary, predictable and / or reversible, and the nature of the project does not exclude the possibility of avoiding or reversing them,
- (ii) Their magnitude and / or spatial extent is medium,
- (iii) Cumulative and / or transboundary impacts may exist, but they are less severe and more easily avoided or mitigated than for high-risk projects, and / or
- (iv) The probability of serious harmful effects on human health and / or the environment is medium to low (accidents, disposal of toxic waste, etc.), and there are known and reliable mechanisms to prevent or minimize such incidents.

b) The effects of the project on high value or high sensitivity areas are expected to be less than those of high-risk projects.

c) Mitigation and / or compensation measures can be designed more easily and be more reliable than those for high-risk projects

d) The beneficiaries' past experience in developing complex projects is limited; the E&S track-record would present significant problems or concerns given the nature of the risks and the potential impacts of the project / program.

e) The proposed interventions fall under Projects requiring Environmental and Social Audit (ESA) for subprojects including working capital soft loans, and/or an Initial Environmental Examination (IEE) including an ESMP for new investments as per the requirements of ESS1 and Lebanese Law 8633/2012 and MoE Decision 189/1 dated 2016. (See [Annex 2](#), [Annex 7](#) and [Annex 12](#)). The E&S instruments under this category will include, as relevant, site specific Pest Management Plan (PMP) in accordance with the PMP presented in [Annex 11](#).

Moderate risk: A project is classified as moderate risk after considering the risks and impacts of the project, taking into account the following, as applicable:

a) The risks and potential negative impacts on human populations and / or the environment are unlikely to be significant. Indeed, the project is neither complex nor large, does not involve any activity likely to harm the population or the environment, and is located away from environmentally or socially sensitive areas. As such, potential risks, impacts and problems are likely to exhibit the following characteristics:

- (i) Predictable and likely to be temporary and / or reversible,
- (ii) Low magnitude,
- (iii) Specific to a site, with no possibility of impacts going beyond the actual effects of the project, and / or

(iv) Low probability of serious adverse effects on human health and / or the environment (e.g. do not involve use or disposal of toxic materials/substances, routine safety precautions are expected to be sufficient to prevent accidents, etc.)

b) The proposed interventions fall under Projects requiring Environmental and Social Management Plan (ESMP) with, as relevant, the PMP presented in [Annex 11](#).

Low risk: A project is classified as low risk if its risks and negative consequences on human populations and / or the environment are likely to be minimal or negligible.

These projects, with little or no risks, impacts and problems, do not require additional E&S assessment after the initial screening.

3.4 Performance Requirements

Projects must comply with Lebanese national regulations, industry best practices, World Bank Group Environment, Health and Safety Guidelines (EHSGs) and relevant ESSs set out in the World Bank's Environmental and Social Framework (ESF).

Eight of the World Bank's ESSs apply under this Project, and they are listed below:

- EES 1: Assessment and Management of Environmental and Social Risks and Impacts
- ESS 2: Labor and Working Conditions
- ESS 3: Resource Efficiency and Pollution Prevention and Management
- ESS 4: Community Health and Safety
- ESS5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement
- ESS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources
- ESS 9: Financial intermediaries
- ESS 10: Stakeholder Engagement and information Disclosure

3.5 Communication

Kafalat communicates sufficient information on the risks and potential effects of the project on Kafalat's website as well as the B5 website, to the PCU in the periodical E&S reporting and during its consultations with affected parties. This information will be communicated within a reasonable time, in an accessible place and in a form and terms understandable to the parties affected by the project and other parties concerned so that they can make a valid contribution to the development of the design measures and mitigation measures envisaged under the project.

3.6 Inclusive Stakeholders' Consultation and Participation

Kafalat recognizes the importance of early and uninterrupted stakeholder engagement and engages with stakeholders, including communities, groups or individuals affected by proposed projects, and with other affected parties, and vulnerable groups (including among others people with disabilities, youth, women, and elderly) by disseminating information, consulting, and promoting informed participation, in a manner commensurate with the risks and potential effects of the project on affected populations. As part of fulfilling its commitments under the ESCP, the PCU has prepared, disclosed, adopted, and implemented a SEP consistent with ESS 10. Stakeholder Engagement will be

conducted throughout the project cycle. Kafalat is committed to support the PCU in engaging with Stakeholders as per the SEP that was developed by the PCU.

3.7 Grievance Mechanism (GM) and Duty of Accountability

Kafalat is committed to receiving concerns and complaints from project affected parties in relation to the project, particularly regarding environmental and social performance, and to facilitate dispute resolution.

As part of fulfilling its commitments under the ESCP, the PCU will prepare, disclose and widely and effectively disseminate a project grievance mechanism which has been outlined in the SEP prepared by the PCU and is consistent with ESS 10. For the implementation of sub-component 1.2 of the Project, in addition to Kafalat's GM, Kafalat will disseminate also the PCU's GM once established.

The specific objectives of the grievance procedures adopted by Kafalat are as follows:

- a. To provide a process by which grievances from communities, groups, individuals, local authorities, NGOs and other local stakeholders can be processed efficiently, and constructively. The goal is to resolve grievances amicably and if possible, minimize the use of the legal system. However, the complainants have access to an appeal process in the event that they are unsatisfied with the resolution. The aim is to resolve or respond to the enquiries within the same call where no follow up is required. Where follow up is required and for written enquiries, the endeavor is to reply within five business days from the first call. Where more time is required or for complex enquiries, the enquirer will be kept updated on the progress
- b. To offer individuals and groups with a way to express their grievances and problems in a rational and transparent manner and demonstrate the important role of stakeholders in program design and implementation. The GM will also allow anonymous grievances to be raised and addressed.
- c. To institutionalize a reporting system to take corrective action. (See sample of the GM log in [Annex 5](#)).
- d. To establish a transparent relationship based on mutual respect with the communities and other local stakeholders.
- e. To establish Project responsibility regarding grievances and establish a course of action to manage the grievances in a timely manner.
- f. To maintain the existing referral pathways adopted in the event of complaints associated with sexual exploitation and abuse and sexual harassment (SEAH) where reporting will be handled with a survivor centered approach and following the best international practices and principles of the World Bank's Good Practice Note which is available at this link. The PCU will be kept informed by the Kafalat of any complaints associated with SEA/SH as per the provisions of the ESCP.
- g. In the event when a complainant is not satisfied with the resolutions, he can escalate to Kafalat General Manager.

An effective Grievance Mechanism (GM) is in place at Kafalat. It plays an important role in enhancing public trust and can be valued as a means to strengthen the performance and to improve Kafalat reputation, administrative and systemic issues related to its projects and programs implemented.

Kafalat shall maintain, throughout the Project implementation, and publicize the availability of a GM, inform and substance satisfactory to the WB, to hear and determine fairly and in good faith all complaints raised in relation to the Project, and take all measures necessary to implement the determinations made by such mechanism in a manner satisfactory to the WB. Kafalat shall also disseminate the PCU GM and inform PCU of any grievance received when related to GATE Project.

Below is the summary of the current GM at Kafalat:

Enquiries or complaints can be raised through different channels:

- By telephone on the following number: Tel: 01-340 992
- By email on: clientsupport@kafalat.com.lb
- By using an online form provided on the Website: <http://www.kafalat.com.lb> under “Submit a Complaint” available in Arabic, French and English.

Universal Access

As referred in ESS 4 para 7 and the World Bank Good Practice Note on Non-Discrimination and Disability² ; the beneficiaries will be encouraged by Kafalat SAL to apply the concept of universal access to the extent possible and document accordingly.

3.9 Institutional Arrangements and Modalities of Application

Kafalat has an Environmental and Social Specialist position in its organogram, as indicated in Annex 6, to oversee the environmental and social assessment, monitoring processes and to initiate and develop environmentally and socially beneficial projects. Kafalat will maintain this position and will provide the needed E&S capacity to achieve the E&S policy objectives as indicated in this ESMS.

The E&S Specialist develops and maintains appropriate environmental and social procedures, guidance notes and instruments to assist in the implementation of the Policy, and ensures that Kafalat staff receive appropriate training on the requirements of this Policy.

The E&S Specialist continuously monitors and assesses the environmental and social performance of the projects financed regarding the objectives of the ESMS Policy. This is continuously reviewed and may be modified or updated in coordination with Gate Project PCU, subject to the approval of General Management.

Environmental and Social Procedures

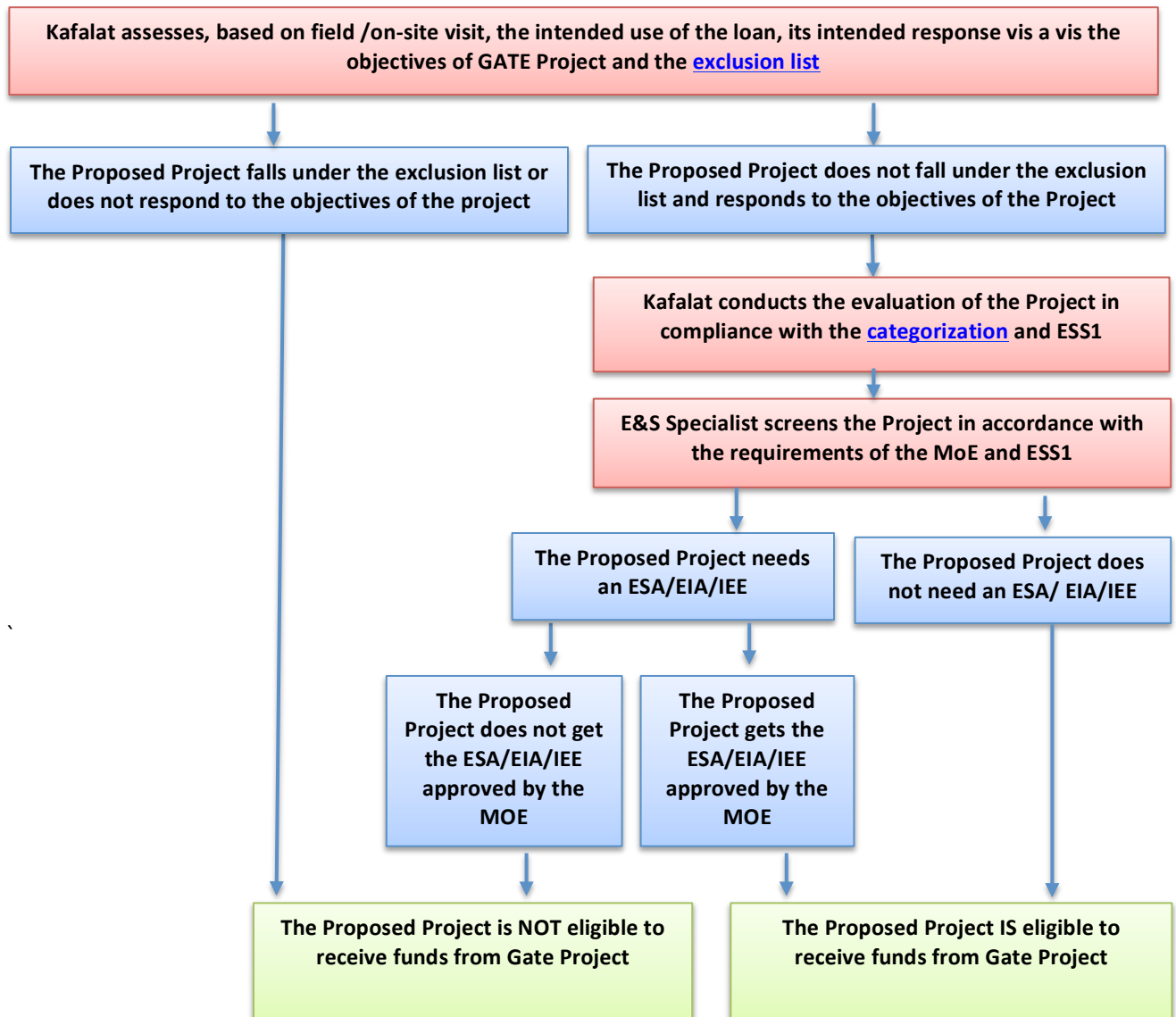
Under sub-component 1.2, Kafalat will undertake the assessment and selection of eligible Projects presented by beneficiaries (the proponent) as per the eligibility criteria.

Kafalat will also take into consideration the general exclusion list (Annex 1) upon selecting the beneficiaries, as well as categorization according to the environmental risk category detailed in section I. Consequently, the Project shall undergo the screening, scoping and reporting as set in Annex 9 of the EIA Decree 8633/2012 and provided in [Annex 7](#) and in the ESMF of the GATE project.:

² Available at <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/573841530208492785/environment-and-social-framework-esf-good-practice-note-on-disability-english>

The following diagram shows the flow of selection for eligibility:

Figure 1: Diagram of Flow of Screening for Eligibility



Roles and Responsibilities

Kafalat SAL has appointed the Deputy General Manager, as a **representative of its senior management** who will have overall responsibility for ensuring the environmental and social performance of its investments, including the implementation of the provisions of all relevant ESS, as well as the provision of the necessary resources for sub-component 1.2 under Gate Project.

The Senior Management Representative of Kafalat will ensure that:

- Sufficient resources are available for the management of environmental and social issues and implementation of the ESMS, and
- Competent experts, internal or external, are made available to perform due diligence and manage the environmental and social risks and effects of sub-projects, in particular by providing implementation support as needed.

Kafalat's Legal Advisor will ensure that funding agreements include restrictive covenants that require sub-projects to comply with applicable national and international environmental, health and safety laws.

The **representative of Kafalat senior management** will keep a file of qualified environmental and social assessment consultants who may be called upon to support the E&S specialist of Kafalat to carry out environmental and social reviews.

To ensure the effective implementation of the ESMS within Kafalat, it is necessary to allocate resources for the implementation and communication and documentation of the ESMS. This budget includes, above all, actions to train staff in the principles and procedures of the ESMS.

In addition, it is necessary to consider the operational costs, the time required for the staff to fulfill the responsibilities and tasks relating to the ESMS.

For each sub-project, a register of supporting documents for environmental and social studies will be kept. This includes the initial assessment of environmental and social risks at the time of project investment, as well as ongoing compliance records.

This ESMS should be reviewed periodically to ensure that it remains relevant and effective over time, and that it incorporates the evolving needs of Kafalat. This involves identifying the potential difficulties related to the operational aspects of the implementation of the ESMS and making the necessary modifications, examining the scope of the ESMS procedures to ensure that the environmental and social risks and impacts emerging in sub-projects are detected and identified during the due diligence process; and update the ESMS to reflect revisions to applicable national environmental, health and safety laws.

Monitoring and Reporting

The environmental and social performance of the sub-projects will be monitored, re-evaluated and documented and recommendations made accordingly and periodically by the Kafalat E&S Specialist in order to guarantee the permanent compliance with the applicable requirements.

Kafalat will review the environmental and social performance of projects and their compliance as per agreed commitments. The extent of monitoring will be proportionate to the environmental and social risks and impacts associated with the project. At a minimum, monitoring requirements and commitments include the review of quarterly environmental and social reports that clients prepare on projects and may require close follow up on the implementation of the ESAs recommendations, ESMPs elaborated in the EIA/IEE. Kafalat may also periodically visit the project sites for monitoring.

If the client does not comply with its environmental and social commitments, as agreed upon, Kafalat may take corrective action to meet its commitments. If the customer does not comply with the corrective measures, Kafalat may take action and / or exercise the remedies provided for in the financing agreements as it deems appropriate.

Kafalat will immediately inform the PCU of any significant accident or incident associated with sub-projects and in line with the provisions of the ESCP the subsidiary agreement will be with the CDR – and coordination will be done with the PCU.

Kafalat will prepare quarterly environmental and social performance reports (according to the template in [Annex 4](#)). This will be prepared on the basis of environmental and social performance information of each sub-project. Kafalat will report periodically to the PCU on E&S compliance during project implementation.

Training

The Kafalat will ensure that their E&S specialist will implement, in collaboration with PCU, the training program to ensure the beneficiaries have the adequate capacity and competency to implement the E&S requirements. Additional training will be conducted to cover the following items:

Training and information dissemination to the public and community groups as well as local authorities, and others as identified in the SEP on the following aspects as relevant to them:

- Stakeholder mapping and engagement
- Specific aspects of environmental and social assessment including GBV SEA/SH risks, impacts and mitigation measures that require feedback from the public and local authorities and for their own awareness so that community health and safety can be improved
- Training on occupational health and safety including emergency prevention and preparedness and response arrangements to emergency situations. Emergency preparedness and response and OHS measures related to COVID-19 as per the national health requirements
- Grievance mechanism
- ESA, ESIA, IEE and ESMP preparation, implementation, and monitoring
- Resettlement Framework and respective Resettlement Plans (RP) for subprojects as relevant

Training shall be conducted for project workers and contractors, while maintaining training records on the following:

- Occupational health and safety including emergency prevention and preparedness and response arrangements to emergency situations.
- Training on implementation of environmental and social due diligence documents (e.g., OHS, environmental and social assessments, community health and safety, stakeholder engagement, grievance, codes of conduct, etc.) to all staff working with contractors and sub-contractors that are responsible for project's environment and social issues
- ESA, /ESIA, IEE and ESMP implementation
- LMP
- GBV AND SEA/SH and code of conduct ([Annex 10](#))
- Grievance mechanism

Stakeholder Engagement

Kafalat is continuously engaging with different categories of stakeholders under the B5 project. The stakeholder engagement activities will continue under the GATE. As part of fulfilling its commitments under the ESCP of the GATE Project, PCU has prepared, disclosed, adopted, and implemented a Stakeholder Engagement Plan (SEP) consistent with ESS 10. PCU's environmental and social commitment includes communication with stakeholders, in addition to the WB. As implementer of the sub-component 1.2 of the Project, Kafalat will ensure to abide by the above-

mentioned SEP and will ensure the dissemination of information in environmental and social matters relevant to sub-component 1.2 of the Project.

ESMS Review

ESMS Review	Status	Recommendations
Environmental and social policy: are the ESMS components in place	Was developed under B5 and has been adjusted in this document to adapt for the new beneficiaries under the GATE project.	Continuously update the ES policy, endorsed by the Kafalat's senior management periodically and create a lessons learnt database garnered from practical implementation in the field depicting what works and what needs modification.
Environmental and social procedures for project selection, categorization of E&S risks and their due diligence assessment	<ul style="list-style-type: none"> - Selection process is being primarily conducted based on screening criteria, then crossed checked with different platforms. - Site-visits are regularly conducted according to their risk categorization and any course of action is determined at selection committee level developed written procedure and mechanism to assess and address E&S risks and impacts which is functioning adequately - developed an E&S training materials which need to be upgraded to a comprehensive training module for the beneficiaries Developed format for screening of applicants which is working adequately . the exclusion list has been updated in this document to adapt the GATE beneficiaries 	Update training materials
Institutional capacities and skills with clear definition of ESMS management roles and responsibilities	<p>Kafalat and the MFIs have different layers and structure of officers assigned for assessment and management of ES related risks and impacts</p> <p>The selection Committee (chaired by the GM) decides on the needed measures where there are unresolved ES issues or non-compliance with the ESMS which is functioning adequately</p>	Maintain the existing capacities, roles and responsibilities

<p>Monitoring and reporting mechanisms</p>	<ul style="list-style-type: none"> - Review of periodic ES performance reports submitted by the MFIs and regular site visits to MSMEs are conducted - Kafalat has set up periodic reporting mechanism for the MSMEs and the MFIs , including reporting channel and frequency. - Periodic Meeting with MFIs are being conducted to assess any E&S issues which is needs further improvement and strengthening 	<p>Close follow up on the collection of reports from MSMEs is required</p>
<p>Stakeholder engagement and grievance mechanism</p>	<p>Well established grievance mechanism and log are in place on the website of Kafalat and other MFIs and is appropriately communicated to different stakeholders. The GRM is adequately functioning and all grievances are closed in a timely manner.</p> <p>Regular meetings with all identified stakeholders were conducted, in addition to focus group consultation and liaison with communities were carried out</p>	<p>Strengthen communication and consultations with the identified stakeholders on a more frequent basis</p>

List of Annexes

Annex 1: Exclusions List of Financing Activities & Screening Form

Annex 2: Examples of Projects with E&S Impacts requiring EIA/IEE as per Lebanese decree No. 8633/2012 and relevant decisions 260/1-2015 and 261/1-2015

Annex 3 Legal Documents Relevant to E&S

Annex 4: Yearly Report

Annex 5: Kafalat Client Complaints Log Summary Sheet

Annex 6: Kafalat Organizational Chart

Annex 7: Kafalat PMU Organogram

Annex 8: Kafalat Human Resources Procedures

Annex 9: Chance Find Procedures

Annex 10: Kafalat Code of conduct

Annex 11: Pesticides Management Plan

Annex 12: Audit Review Procedures as per Decision 189/1 dated 2016

Annex 1: Exclusions List of Financing Activities & Screening Form

The following list sets out types of transactions that cannot be financed and types of E&S risks that are not acceptable for financing if present in a business.

1. Production or trade in any product or activity deemed illegal under the Lebanese laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's and wildlife.
2. Production or trade in weapons and ammunitions¹
3. Production or trade in alcoholic beverages (excluding beer and wine)¹
4. Production or trade in tobacco¹
5. Gambling, casinos, and equivalent enterprises¹
6. 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 radioactive source is considered to be trivial and/or adequately shielded.)
7. Production or trade in or use of unbounded asbestos fibers
8. Unsustainable fishing practices, such as drift net fishing in the marine environment using nets in excess of 2.5 km length, electric shocks, or explosive materials
9. Production or activities involving harmful or exploitative forms of forced labor³ or harmful child labor⁴
10. Production or trade in wood or other forestry products other than from sustainably managed forests²
11. Activities involving land acquisition and/or restrictions on land use resulting in involuntary resettlement or economic displacement unless in compliance with the Resettlement Framework/Resettlement Plan under ESS5
12. Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals (gasoline, kerosene, other petroleum products)
13. Any activities involving significant degradation or conversion of natural⁶ and/or critical habitats⁷ and/or any activities in legally protected areas
14. Activities involving impacts on international waterways (as defined per World Bank Policy OP7.50) or those that would affect quantity or quality of water flowing to other riparians
15. Activities involving significant adverse impacts on critical cultural heritage⁸

Footnotes (must accompany the Exclusion List in all circumstances):

1. This does not apply to enterprises that are not substantially involved in these activities. 'Not substantially involved' means that the activity concerned is ancillary to an enterprise's primary operations.
2. Sustainable forest management may be demonstrated by the application of industry-specific good practices and available technologies. In some cases, it may be demonstrated by certification/ verification or progress towards certification /verification under a credible standards system.
3. Forced labor means all work or service, not voluntarily performed that is extracted from an individual under threat of force or penalty.
4. Harmful child labor means the employment of children that is economically exploitive, or is likely to be

hazardous to, or to interfere with, the child's education or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

6. Natural habitats are areas composed of viable assemblages of plant and/or animal species of largely native origin, and/or where human activity has not essentially modified an area's primary ecological functions and species composition. This includes HCV forests. HCV areas do not directly correspond with definitions for modified, natural, and critical habitat. The HCV Resource Network, an internationally recognized group, provides information and support on the evolving usage of HCV to ensure a consistent approach. <https://www.hcvnetwork.org/>.

7. Critical habitat is a subset of both natural and modified habitats that deserves particular attention. Critical habitat includes areas with high biodiversity value that meet the criteria of the World Conservation Union (IUCN) classification, including habitats of significant importance for required for critically endangered or endangered species as defined by the IUCN Red List of Threatened

Species; habitats of significant importance for endemic or restricted-range species; habitats supporting globally significant concentrations of migratory species and/or congregatory species; and areas with unique assemblages of species or which are associated with key evolutionary processes. Primary forests or forests of High Conservation Value (HCV) shall be considered Critical Habitats.

8. Critical cultural heritage consists of (a) the internationally recognized heritage of communities who use, or have used, within living memory the cultural heritage for long-standing cultural purposes and (b) legally protected cultural heritage areas, including those proposed by host governments for such designation.

Additionally, borrowers will not engage in cultivation, processing, and sale of poppy and/ or other illegal addictive substances (for example, heroin, hashish, opium, bhang, alcohol). Sale of addictive substances such as tobacco, gutka, niswar, cigarettes, beeri, hukka, paan parag, sheesha and any other products containing such substances to persons under the age of 18; Illegal wood extraction; hunting, poaching and fishing in protected areas; informal cross - border trade; smuggling or sale and handling of smuggled goods.