

THE JAMAICA ACCESS TO FINANCE FOR MSMEs PROJECT
ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK
SUPPLEMENTAL GUIDELINES
(REVISED JULY 4, 2023)

1. Introduction

Supplemental Guidelines have been prepared to serve as a user’s tool for the SME Fund Manager and may be used to assist in the effective screening of applicants to the SME Fund. These Guidelines are only to be used as an additional instructional tool to the Environmental and Social Management Framework (ESMF) of the Jamaica Access to Finance Project, which stands as the principal instrument for the assessment of environmental and social (E&S) risks.

The ESMF and associated Supplemental Guidelines are to be read and understood as being binding in the E&S risk screening of potential beneficiaries to the SME Fund.

The key E&S risks of the Access to Finance (A2F) project stem from the potential for poor E&S compliance of MSMEs with national laws and regulations. For the Development Bank of Jamaica (DBJ), and the SME Fund Manager, the key steps to addressing these risks include screening of SMEs for E&S compliance requirements, provision of regulatory liaison and technical guidance for achieving compliance where required, inclusion of E&S requirements in guarantee and investment/participation agreements, and periodic supervision, auditing, and reporting.

2. Potential Environmental & Social Risks and Impacts and Mitigation Measures

The degree of potential risk, specific E&S risks and impacts, and mitigation measures are described below in the context of component 2 of the A2F Project.

Component 2: Supporting an SME Fund for risk capital financing to SMEs (sector-neutral)	
Degree of Potential Risk	Moderate
Risks	Failure to comply with the permitting system in Jamaica, which exposes SMEs and the SME Fund to regulatory sanctions; poor SME practice in the control of emissions and waste; poor SME planning for effects on historical or cultural assets, traffic patterns, community safety, labor health and welfare; credit risk to lenders, associated liability, and reputation of lenders.
Impacts	Closure of SMEs, fines or delays, escalation of costs for production, increased insurance cost; environmental pollution, loss of biodiversity or cultural resources; damage to cultural resources; reduced community safety, accidents, and injuries to workers; liability of SME and SME Fund, damaged reputation of MSME and SME Fund from media coverage, citizen campaigns, government investigations.

Mitigation Measures	Fund Manager to screen SMEs for E&S compliance and performance to verify eligibility; provide liaison and guidance for regulatory and technical issues; ensure investment agreements include E&S requirements; periodically supervise and report.
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3. Role of the SME Fund Manager

The Fund Manager of the SME Fund will assume a leading role in the management of E&S risks for SMEs.

The SME Fund will be sector neutral and therefore a broad variety of investments could be included, including agriculture and ecotourism projects. Very high-risk projects (Category A), and those on the World Bank Group's Exclusion List, would not be eligible.

The Fund Manager will be required to effectively screen the SMEs, verify their eligibility in the Fund, ensure that E&S requirements are clearly included in contractual commitments, and periodically report to DBJ on the status of their E&S management efforts. The E&S Risk Screening Procedures outlined below will form the basis for the Fund Manager's E&S management system. Although it will be modified periodically to address the eccentricities of the SME Fund, it will maintain an equivalent level of oversight and supervision. Procedural steps for the SME Fund will include:

- I. Use of WBG's Exclusion List
- II. Assignment of environmental and social risk category
- III. Additional investigation/site visit, where warranted.
- IV. Determining environmental, social, occupational health and safety requirements
- V. Processing, approval, and investment documentation
- VI. Administration, monitoring, evaluation and reporting of environmental and social management conditions.

As part of their E&S risk management activities, the Fund Manager will actively engage with SMEs through the due-diligence and permitting liaison process. DBJ requires that the Fund Manager:

- I. Implement the agreed upon environmental and social risk management procedure.
- II. Include in the investment agreement with each SME, the environmental and social requirements as established from the implementation of the environmental and social risk procedure.
- III. Undertake appropriate administrative actions commensurate with the level of risk for the SME investments.
- IV. Promptly inform the DBJ should any significant environmental/ social issue or regulatory non-compliance occur with a financed SME Fund beneficiary.
- V. Provide DBJ with an annual report on its implementation of the environmental and social risk procedure.

4. Environmental and Social Risk Screening Procedures

The following procedures will be used to screen and assess SME Fund applicants, document the appraisal results, identify relevant requirements, and perform contractual investment administration. The Application procedures will follow several steps which are designed to ensure that environmental and social considerations are taken into account (See Figure 1). The steps as summarized below, must be completed, and approved as part of the application process.

Step 1. Compare to World Bank Group's Exclusion List

Any SME activity found on the Exclusion List will not be eligible for funding due to it being categorized as having potentially significant high E&S risk or contravenes the safeguards parameters of the A2F project.

World Bank Groups' Excluded activities include:

1. Those that are illegal under Jamaica country laws, regulations or ratified international conventions and agreements.
2. Weapons and munitions
3. Alcoholic beverages (excluding wine and beer)
4. Tobacco
5. Gambling, casinos, and equivalent enterprises
6. Wildlife or wildlife products regulated under Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)
7. Radioactive materials or unbounded asbestos fibers
8. Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forest
9. Polychlorinated biphenyl compounds (PCBs, a class of synthetic organic chemicals)
10. Pharmaceuticals subject to international phase outs or bans.
11. Pesticides/herbicides subject to international phase outs or bans.
12. Ozone depleting substances subject to international phase out
13. Drift net fishing in the marine environment using nets in excess of 2.5 km in length.
14. Transboundary trade in waste or waste products, except for non-hazardous waste destined for recycling.
15. Persistent Organic Pollutants (POPs)
16. Non-compliance with worker's fundamental principles and rights at work
17. Significant degradation of a National Park or similar protected area
18. Real estate speculation

See pages 21-22 of ESMF for list and associated foot notes.

Step 2. Check for Environmental Permits and/or Licences

- i. SME activities must be checked against local environmental, health and safety laws and regulations for permit and/or licensing requirements.
- ii. Where permits and/or licences are required, the SME Fund Manager must request a copy of the original.
- iii. The SME applicant is to submit with their application, any existing/valid environmental permit and/or license, or any other relevant documentation to prove E&S compliance.

- iv. SMEs that are unable to provide proof of required permits and/or licenses are to be screened against local environmental, health and safety listings to determine whether a permit and/or licence is necessary.

Step 3. E&S Risk Review and Category Assignment

A preliminary determination of the Environmental and Social Risk Status should be completed along with assigning of a risk category of Low, Medium, High, or Very High. The assignment of risk category is undertaken using the Preliminary Environmental/Occupational Health and Safety (OHS) Risk Assessment Checklist (See Annex 1 below).

The SME Fund Manager must assess SME applications against the information and checklist provided in Annex 1 of these Guidelines.

Step 4. Additional Investigation/Site Visit (Optional)

If an application should involve any factors that may represent potentially significant or material environmental or social risks, as determined from Step 3, then additional investigation is warranted by the SME Fund Manager and/or the DBJ. This may apply to a Medium or High-Risk SME. Additional investigation may be limited to the review of supplementary information, plans, studies, permits or assessments and may also include a site visit, audit, facility inspection, or other physical review. The SME Fund Manager or the DBJ may contract independent third-party specialists to conduct such reviews in some cases, either independently or through DBJ's Technical Assistance Programme.

A site visit, audit, or inspection will help assess the state of the company operations, in particular housekeeping, worker health and safety, and environmental, health and safety, and human resources management issues. Site visits must be made to all companies where the E&S Risk Status has been deemed as High-Risk. A site visit checklist should be used in conjunction with the relevant and applicable WBG EHS Guidelines (general and sectors) with equivalent or supporting information from other sources.

Additional assessment studies (EIA, Audits, Permit requirements, Pest Management Plans, or other documents) may also be provided by the SME as evidence of good practice, compliance, or satisfactory resolution of any E&S issues identified.

The results of the additional investigation can then be used to inform and revise the final determination for eligibility for support under the Fund. The investigations may reveal the need for the SME to apply for requisite licenses/permits, improve on environmental, health and safety conditions, reduce potential climate change related influences, build in climate resilience into business operations or otherwise reduce E&S risk.

Step 5. Processing and Approval of Investment Agreements

Following the evaluation and documentation of E&S risk, the Fund Manager should be able to accept the SME's participation in the SME Fund, subject to conditions that will describe measures being taken to control the risk or to reject the SME's participation due to unacceptably high E&S risk. The outcome of the E&S risk evaluation is summarized as follows:

- SMEs deemed Low-Risk will only require the use of standard, general conditions.

- SMEs deemed Medium-Risk will require the standard, general conditions, and any special requirements if considered necessary by the Fund Manager.
- SMEs deemed High-Risk will require the standard, general conditions, as well as all the actions, monitoring plans, permit updates, periodic audits, and other necessary information based on the recommendations from additional investigation, including the site visit report.
- SMEs deemed Very High risk will be excluded.

Step 6. Administration, Monitoring, Evaluation and Reporting of E&S Conditions

As part of administration, the DBJ will maintain information on SME E&S performance in its portfolio and will require the Fund Manager to do the same. The DBJ will require the following information of the Fund Manager annually, and will provide a summary report annually with the following information for the SME portfolio funded by the project:

1. Breakdown of portfolio by type of transaction, industry sector and environmental and social risk classification (low, medium, and high environmental risk SMEs).
2. Describe how environmental (and social) procedures have been integrated into the transaction approval process.
3. Give details of any transaction rejected on environmental or social grounds for actual or perceived non-compliance.
4. Give details of any other transaction rejected on environmental/social or health and safety grounds.
5. Give details of any material environmental or social issues associated with participants during the reporting period, in particular:
 - a. Any accidents / litigation / complaints.
 - b. Any incidents of non-compliance with applicable
6. Give details of any loans/investments/guarantees etc. used to finance environmental improvements, such as energy efficiency, waste minimization, switch to cleaner technology, reduction of fines due to environmental improvements.
7. Give details of any SME failures due to environmental problems.
8. Describe where applicable, how the participants' environmental compliance is monitored (e.g., site visit by Bank staff; inspection by environmental/health authorities; copies of updated permits, reports from the Participant). Include information on monitoring of special conditions from Permits or other compliance-related items that were included in the investment agreements.
9. Specify name and position of the individual(s) formally responsible for the implementation of the environmental (and social) procedures.
10. State any difficulties and/or constraints related to the implementation of the environmental (and social) procedures.

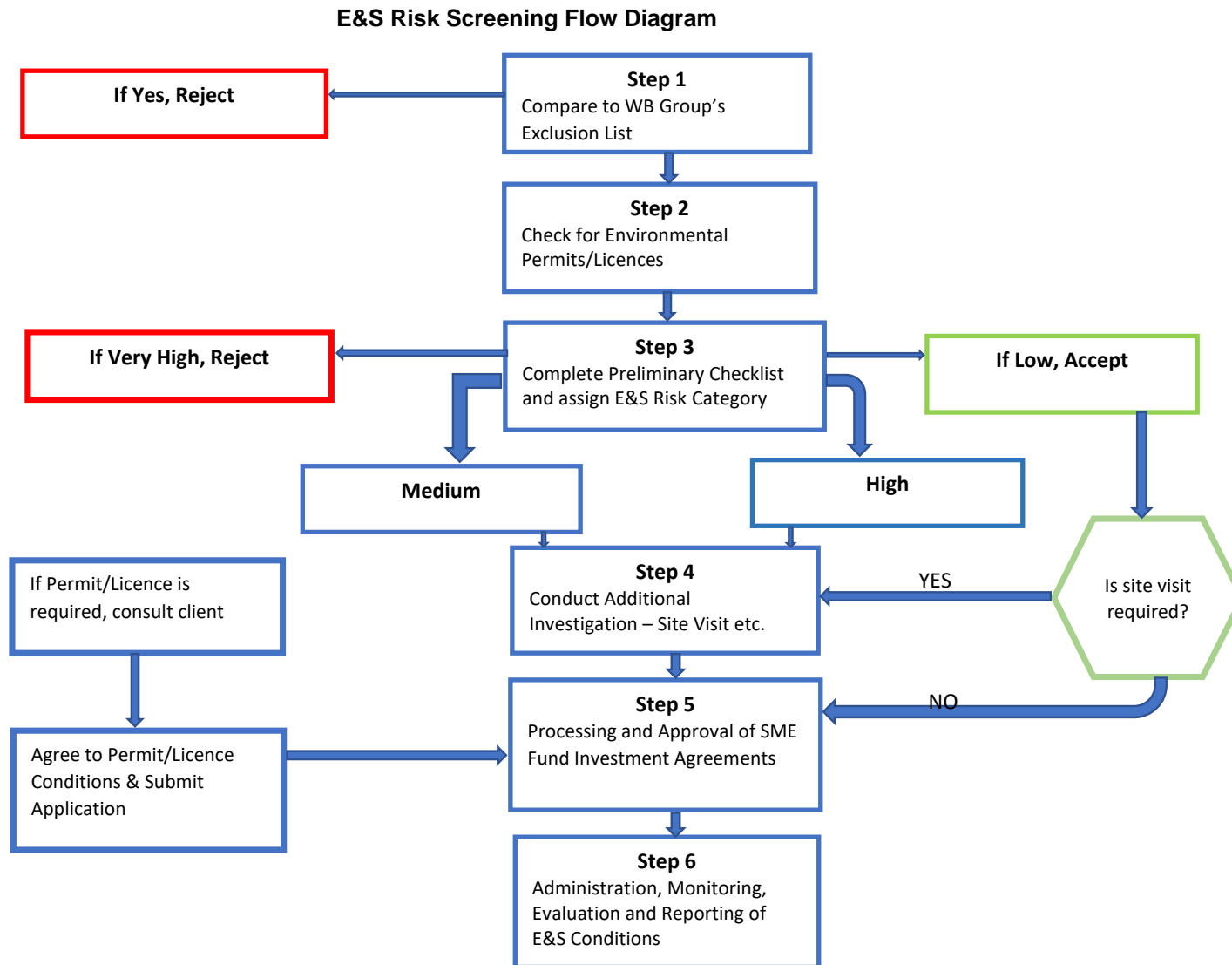


Figure 1. SME Fund E&S Risk Screening Procedure

Additional Information and Technical Guidance

Follow-ups on individual SMEs will be performed if deemed necessary particularly in the cases where permits and licences have been granted or were required as part of the loan processing requirements.

For more information, the SME Fund Manager may consult with the World Bank's Environmental, Health and Safety Guidelines at the following address:

<https://documents1.worldbank.org/curated/en/157871484635724258/pdf/112110-WP-Final-General-EHS-Guidelines.pdf>

Contact may also be made with the Environmental and Social Management Specialist at rdonegan@dbankjm.com

Annex 1

ENVIRONMENTAL AND SOCIAL RISK SCREENING GUIDE PRELIMINARY RISK ASSESSMENT

The following information is to be used by the SME Fund Manager as a supplementary tool to the Jamaica Access to Finance Project's ESMF.

Preliminary Determination of Risk

With information provided by the applicant, the SME Fund Manager will prepare the Preliminary Environmental, Social, Occupational Health and Safety Risk Assessment Checklist for all SME applications. On completion of the Checklist, a risk category of Low, Medium, High, or Very High will be assigned.

The applicant must then review, accept, and certify the information in the form as true, complete, and correct. Failure to provide the SME Fund Manager with accurate information may result in the application being denied for funding.

SMEs deemed Very High risk will not be supported. Those assigned risk categories of High or Medium may be subject to additional investigation or site visit, as appropriate, based on the judgement of the SME Fund Manager. All SMEs categorized as High risk must undergo additional assessment as described in Step 4 of the Environmental and Social Risk Procedures above.

If an application should involve any factor that may represent potential significant or material environmental or social risk as determined from the preliminary assessment, then additional investigation is warranted by the DBJ and/or the Fund Manager; this may also apply to a Medium-risk SME.

Completing the Preliminary Environmental, Social, Occupational Health and Safety Assessment Checklist

1. Complete the General Information section.
2. Select the type/category of business to be supported.
3. Compare applicant's business activities to the World Bank Exclusion List
4. If any of the applicant's business activity is found on the World Bank Exclusion List, it will **not be eligible** for funding and the application will be **rejected/denied**.
5. If the applicant's business activity is not found on the Exclusion List, move to question 2 of the Checklist.
6. If responses to each question (2-5) and sub-components are **NO**, the SME should be ranked as **LOW Risk**. The Fund Manager will then move to Step 4 of the Environmental and Social Risk Procedures if a site visit is deemed necessary; if not, move to Step 5.
7. If any of the responses to the questions is **YES**, then the SME is considered **HIGH** or **MEDIUM Risk** and the application would require further assessment.
8. The following scenarios will deem the SME **HIGH Risk**:
 - a. The SME requires two or more Environmental, Health & Safety license and/or permit.
 - b. The applicant responds **YES** to Questions 4 (i-viii) and 5 (i-iv)

9. An application will be deemed **VERY HIGH** risk if business activities are found on the World Bank's Exclusion List and is known to be in breach of any national social, environmental, health and safety law, regulation, or guideline. These applications will be excluded.

Table 1. PRELIMINARY ENVIRONMENTAL, SOCIAL, OCCUPATIONAL HEALTH AND SAFETY RISK ASSESSMENT CHECKLIST

GENERAL INFORMATION				
Applicant's Name:				
Business Name:				
Business Address:				
BUSINESS TYPE				
No.	QUESTION	Yes	No	N/A
1.	WORLD BANK EXCLUSION LIST			
2. LEGAL REQUIREMENTS				
i.	Does the SME require an environmental licence or permit under national law?			
ii.	If yes, please check the box of the ones required:			
	a. NRCA permit			
	b. NRCA licence			
	c. MOHW licence			
	d. WRA licence			
	e. Factories Act registration			
	f. Others, please specify			
iii.	Is the licence/permit valid?			

	a. NRCA permit			
	b. NRCA licence			
	c. MOHW licence			
	d. WRA licence			
	e. Factories Act registration			
	f. Other, specify			
	g. No permit in place			
iv.	Has there ever been any suspension or revocation of an environmental licence or permit for the SME?			
v.	Has the SME received written notification of a breach from a regulatory authority?			
3. WASTE MANAGEMENT				
i.	Does the operation generate any form of waste?			
ii.	If yes, select all that apply			
	a. Wastewater			
	b. Solid Waste			
	c. Sewage			
	d. Other, Specify			
iii.	If yes to question 3, what is the method of disposal?			
	Solid Waste			
	a. Municipal (NSWMA)			
	b. Private Collection			

	c. Open dumping d. Burn e. Other, specify _____			
	Wastewater a. Soak away pit b. Open drains/runoff c. Other, specify _____			
	Sewage a. Central Sewage System b. Absorption Pit only c. Septic System d. Tile Field e. Other, specify _____			
iv.	Does the operation utilize an incinerator?			
4. Other environmental and safety considerations				
i.	Does the operation store, produce, or handle fuel (diesel, propane, LPG etc.)?			
ii.	Does the operation emit significant dust, fume, smoke, particulate matter?			
iii.	Does the operation store, produce, use, or handle chemicals?			
iv.	Does the operation involve transportation of Petroleum or petroleum related products?			
v.	Will business operations be conducted in any Protected Area or high conservation area?			
vi.	Is the business involved in mining and/or quarrying (directly or indirectly)?			

vii.	Will the SME operations affect coastal or marine areas/resources or aquatic life (coral reef, sea grass, fish, conch etc.)?			
vii.	Does the operation store, produce or handle hazardous waste?			
ix.	Is the business involved in the storage, preparation, manufacturing, or sale of food for human consumption?			
x.	Will the operation require workers to wear personal protective gears/equipment?			
5. SOCIAL ASSESSMENT				
i.	Will the operation impact any physical cultural resource?			
ii.	Will the operation produce excessive noise, vibration, release of light and/or heat energy?			
iii.	Will the SME require land acquisition?			
iv.	Will activities impact on public safety?			
v.	Is the operation near to any commercial area?			
vi.	Is the operation near to any residential area?			

I _____, confirm that the information provided above is true and correct.
Name (SME Fund Applicant)

Signature of Applicant _____

Risk Ranking Assigned:

- LOW MEDIUM HIGH VERY HIGH

Is additional information/assessment required? Yes No

Site Visit Required: Yes No

Recommendation:

- Compliant – Proceed with application processing.
- Proceed with application processing and commence preparation and/or submission of relevant documents.
- Non-Compliant – Applicant to pursue other options.

Remarks:

Application Prepared by:

Signature:

Date: