



Jordan Loan Guarantee Corporation (JLGC)

Environmental and Social Management System (ESMS)

Jordan

**Support for Industry Development Fund Project (P178215)**

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## *PREAMBLE*

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The Jordan Loan Guarantee Corporation (JLGC) was established as a public shareholding company in May 17, 1994 with a paid-up capital of JD 7 million as a legal heir for “Loan Guarantee” project, which was founded by United States Agency for International Development (USAID) in 1989, and was managed by the industrial development bank until September 1993. The company’s aim was to provide the necessary guarantees to facilitate financing of SMEs owned by the private sector and working in all productive economic fields in Jordan.

In 1997, the capital was increased to 10 million JD in order to accompany the economic developments and activate our role in the Jordanian economy. Moreover, Export Credit Insurance program has been added to encourage the Jordanian exporters to export their products by providing insurance to cover their commercial and non-commercial which their exports could be exposed to.

In 2016, the capital was increased to 29 million, to raise the applicable credit limits and develop new guarantee instruments for SMEs’ loans and Export Credit.

Jordan Loan Guarantee Corporation began with one simple program for SME’s guarantees. Now there are 2 major programs tailored to improve SME access to finance and provide more risk measured instruments to banks and exporters:

- Loan Guarantee.
- Export and Domestic Credit Guarantee.

JLGC recognizes Environmental and Social Risk Management as serious issues that require systems to monitor and control in line with legal requirements in the sector. Currently, JLGC is preparing the Environmental and Social Management System (ESMS) in order to improve the management of the environmental and social implications of its funded projects. The JLGC’s ESMS will provide a systematic procedure to assess whether these projects will lead to any potential adverse environmental and social impacts. As such, the ESMS aims to ensure that negative impacts are avoided or minimized or compensated to the extent possible while positive impacts are stimulated.

# 1 INTRODUCTION

## 1.1 Project Description:

As part of Jordan's Economic Priorities Program approved for 2021-2023, the Government plans to establish an Industry Development Fund (the Fund) to stimulate the modernization and development of manufacturing firms. The Economic Priorities Program is intended to accelerate the post Covid-19 recovery, complementing the broader private sector reforms under the Growth Matrix. This project aims at assisting GoJ to establish a strong governance and effective delivery mechanisms of the Fund, as well as to provide support for the implementation of Fund's programs to modernize manufacturing process; enhance export-readiness; linking firms to new markets and expanding their exports in existing ones; increasing their access to finance; strengthening climate-resilience and implementing climate change mitigation solutions; boosting productive investment and job creation in higher value-added activities.

1. The Project Development Objective is to assist manufacturing firms in accelerating and **diversifying exports through the support for operationalization of Industry Development Fund and implementation of its programs aligned with NDC targets**. This will be achieved not only through supporting the implementation of the Fund programs, but also through building a robust operational foundation for the Fund itself, to enable it to support the transformation of the industrial sector in the longer term.

This Project aims to enhance competitiveness of manufacturing firms, to enable them to expand and diversify exports, and to address key challenges they face in the ecosystem. The Project will focus on providing targeted firm-level support through the Fund, to help manufacturing firms to modernize and upgrade their production processes, reduce carbon footprint, improve efficiency of resource use, to access new markets and expand exports. The Fund will also incentivize manufacturing firms to improve performance in areas critical to realize the sector's full potential (such female employment, energy/water usage efficiency, waste minimization, safety standards, diversification of exportable products, etc.), as well as to facilitate spreading best practices across the economy.

The main activities financed by the fund will include the following programs: (i) a matching grants program to manufacturing firms to modernize their operations leading to reduction in resource consumption and/or a reduction in waste and/or emissions, improve product quality, increase their export potential and access new markets or expand in existing ones; (ii) outcome-based incentives program providing grants to firms that achieve targets in areas critical to achieve sector's full potential (female employment; energy/water efficiency; emission reduction; etc.); and (iii) easing access to export guarantees and to new supply chain finance products, with the focus on smaller and first-time exporters.

The Project Development Objective (PDO) is to assist manufacturing firms in accelerating and diversifying exports through the support for operationalization of Industry Development Fund and implementation of its programs. Based on that, this project was designed with two main components: (1) Fund operationalization, and implementation of its main programs (US\$99 million); and (2) Fund management, monitoring, and evaluation of its activities under the umbrella of MoITS (US\$1 million).

### Component 1: Development of the Fund's operational capacity and implementation of its main programs

The Fund will be established based on a special bylaw. The Government has prepared a special bylaw that defines the fundamental elements of the Fund's governance structure, management, mandate, financing resources, and financial management. According to the bylaw, the Fund will be housed at MoITS, and its management will be undertaken by the Governing Board comprised from public and private sector representatives. Implementation and operations of the Fund will follow ministerial instructions and Standard Operating Procedures (SoP), which will detail the Fund's scope, objectives, organizational structure, administrative and financial procedures. The SoP will include Environmental and Social Management System. The selection committees for Fund programs will entail multiple stakeholders, for oversight to ensure that the program will continue to embrace high transparency standards through implementation of transparent and unbiased eligibility criteria, assessment, and selection procedures.

The Fund is not envisaged as a self-sustainable institution, rather as a vehicle to grant state support to private sector. It is also important to emphasize that the Fund will not be regulated as a financial institution, and thus its oversight will not involve the Central Bank of Jordan, and the respective requirements for Fund's operations and governance will be defined in a special bylaw, instructions, and methodologies, that will also ensure high transparency, as well as Fund's sustainability and clarity in case of a change in government. The Fund will be effectively a standing institution for the purposes of administering government subsidies in support of industry competitiveness, implementing industrial transformation programs, etc.

The Project will support the Fund in developing and implementing programs to improve manufacturing firms' competitiveness and access to export markets. Initially, the Fund will start with three-four programs: (i) firm-level support through matching grants for firm upgrading and export development; (ii) outcome-based incentives program providing firm-level grants based on achieved outcomes in selected critical areas; and (iii) increased access to export credit guarantees by subsidizing part of guarantee premium paid by manufacturing firms to JLGCC, and increased access to new supply chain finance products (the project will support the development of national supply chain platform).

The implementation and administration of matching grant programs will be outsourced on a competitive basis to intermediaries (such as JEDCO, JE, Industry Chambers, and others). Using competitively selected intermediaries would enable the Fund to make a support more efficient by leveraging existing mechanisms and capacities, and to increase the outreach, as well as to mitigate the risk of potentially lower Fund's capacity at the initial stages of its operation.

Outcome-based incentives program will be managed directly by the Fund's Secretariat, as it already has a developed capacity in implementing similar programs. All resources of the Fund would be used to directly finance manufacturing companies. Administrative and management costs of the programs' implementation would be borne by intermediaries as contributions to support the Fund's objectives. Below is a more detailed description of the activities that will be initially financed by the Fund and supported by this Project.

## Component 2: Fund Management, Monitoring and Evaluation Project management and institutional development

This component will cover management, administration, monitoring, and evaluation of the Fund activities and capacity building of its staff. The support will cover technical advisory services, to manage, coordinate, monitor and evaluate the project, including operating costs, annual audits, and the verification of baselines and achievement of the outcome-based incentives program through private vendors. This component also supports the development of the overall design of the initial Fund's programs. The Fund management will be undertaken by the Governing Board, supported special technical secretariats/committees and additional experts engaged in designing particular programs. The eligible expenditures under this component do not include all the administrative and operational costs linked to the Fund programs whose implementation will be outsourced to third parties through a competitive selection process.

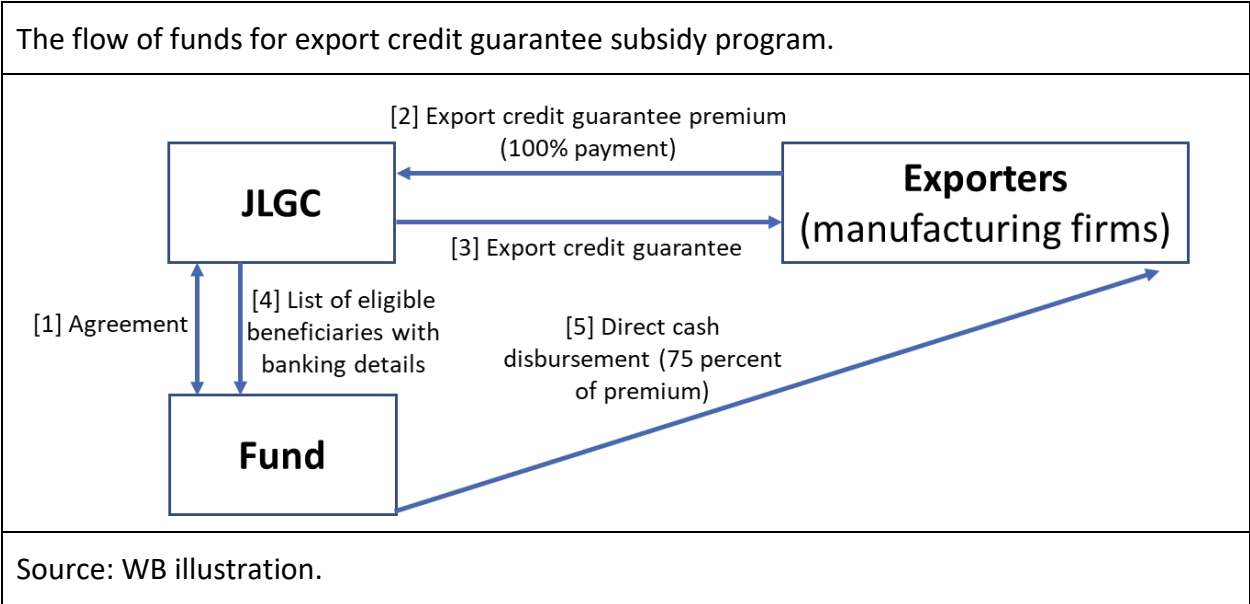
### 1.2 Financial Intermediaries (FI) in the Project:

This project is tagged as Financial Intermediary Financing (FIF) because one of the Fund's programs will provide subsidy for selected manufacturing exporters to partly cover the export credit guarantee premium paid by firms to JLGC. As such, this project will increase the number of firms covered by JLGC export credit guarantee program, where guarantees work as an insurance policy, which enables the participating firms to discount the invoices at the bank to maintain liquidity.

The primary focus of this program will be to ease access to export credit guarantees for manufacturing firms, with the focus on enabling the smaller and first-time exporters. The Fund will support manufacturing firms in increasing their access to export credit guarantees through JLGC. Export credit guarantees will provide protection to exporters from commercial (such as a non-payment or insolvency of the buyer; refusal to accept the shipped goods) as well as political risks (such as any government decisions to prevent entry of goods), which might face their exports, by financially compensating them against possible losses. Thus, this program opens new markets and enables exporters to obtain comfortable payment conditions, other than letters of credit, such as open accounts and drafts. It also enables exporters to finance their operations on better terms, as long as the bank gets its dues from the JLGC, in case exporters failed to obtain their dues from the foreign buyer.

The Fund will subsidize the export guarantee premium for small, medium, and first-time exporters, based on a bilateral agreement between the Fund and JLGC. The Fund will cover 75 percent of the export guarantee premium to 100 firms. The Fund can also support the strengthening the outreach of JLGC guarantees to a wider range of firms. The Fund will provide direct cash reimbursements to beneficiary firms, to subsidize the premiums, following the confirmation of payment to JLGC. As indicated by JLGC, around 40 exporters are currently benefitting from the export credit guarantee program, which covers 90 percent of exports' value. Going forward, the Fund could support additional 100 companies during the life time of the project, with an average amount of support of JD10,000 per firm. The criteria for selecting the exporting firms to be included in the program will be agreed between JLGC and the Fund (incentivizing the participation of women-owned and led firms). The agreement would also entail the JLGC commitment to conduct a broad awareness campaign to increase the number of applying firms. Overall, JLGC does not encounter a liquidity shortage, meaning that the capitalization of existing guarantee programs is less relevant at present. Rather, smaller exporters would benefit more from a subsidy for export guarantee premiums.

The export credit guarantee premium is a percentage of the total value of insured shipments. Historically, the premium ranged from 20 basis points to 150 basis points, depending on the risk assessment and sales volume of the applicant firm. Average shipment value covered by this JLGC program has been around US\$100,000, with a maximum at close to US\$16 million, and minimum of US\$5,000. The average nominal premium size was around US\$10,000



### 1.3 Environmental and Social Management System (ESMS)

The Environmental and social Management System “ESMS” is a systematic approach for financial institutions to manage the E&S risks and impacts arising from financing business activities and managing exposures. This system enables financial institutions to comprehensively consider Environmental & Social (E&S) risks in their financing, and by so doing, move beyond compliance with regulations to taking advantage of increased sustainability of their operations.

With regard to JLGC funding, primary activity at this Project level is to be a vehicle to provide export credit guarantees to eligible beneficiary firms. Project support will be used to cover part of the guarantee premium paid by the firms to JLGC. The Project recognizes that within this sub-component the primary responsibility for management of E&S risks and impacts rests with JLGC, which will adopt, maintain, and implement an ESMS consistent with ESS9 of the World Bank’s ESF for JLGC. There will be a bilateral agreement signed between JLGC and the Fund, including the criteria for the selection of beneficiary firms. It is important to emphasize that no other financial intermediaries will be directly involved in this program.

At JLGC level, the ESMS will include the following key elements:

- I. E&S policy (stating applicable E&S requirements),
- II. E&S screening procedures for identification, assessment, mitigation, and monitoring of E&S risks,
- III. Consistent reporting process and formats; and
- IV. Adequate capacity for implementation, including training of credit staff on the applicable requirements and E&S screening process of final borrowers against them.

The following Sections provide the details of the JLGC’s ESMS.

## 2 ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT POLICY OF JLGC

JLGC is established as an independent shareholding company, autonomous, separate legal entity from the government, and managed by high level professional board of Directors comprised of 9 members from the private sector and two members from the Central Bank of Jordan.

The “Jordan Support for Industry Development Fund Project” aims to enhance competitiveness of manufacturing firms, to enable them to expand and diversify exports, and to address key challenges they face in the ecosystem. JLGC will be involved in achieving these outcomes through its existing export credit guarantee program.

The Fund will subsidize the export guarantee premium for small, medium, and first-time exporters, based on a bilateral agreement between the Fund and JLGC. The Fund will cover 75 percent of the export guarantee premium to 100 firms. The Fund can also support the strengthening the outreach of JLGC guarantees to a wider range of firms. The Fund will provide direct cash reimbursements to beneficiary firms, to subsidize the premiums, following the confirmation of payment to JLGC. As indicated by JLGC, around 40 exporters are currently benefitting from the export credit guarantee program, which covers 90 percent of exports’ value.



Going forward, the Fund could support additional 100 companies during the life time of the project, with an average amount of support of JD10,000 per firm. The criteria for selecting the exporting firms to be included in the program will be agreed between JLGC and the Fund (incentivizing the participation of women-owned and led firms). The agreement would also entail the JLGC commitment to conduct a broad awareness campaign to increase the number of applying firms. Overall, JLGC does not encounter a liquidity shortage, meaning that the capitalization of existing guarantee programs is less relevant at present. Rather, smaller exporters would benefit more from a subsidy for export guarantee premiums.

Being part of the Project, JLGC will commit to achieving positive development outcomes and this will be done through the environmental and social sustainability of the activities it is going to finance, and which the Project expects to achieve through the application of this Policy.

The Project, and JLGC will strive to ensure that at a minimum the business activities benefitting from JLGC export credit guarantee program subsidized by the Project are environmentally friendly and socially acceptable. It will, therefore, not include projects that do not comply with the country's E&S laws and regulations and will ensure that certain environmentally and socially harmful activities cannot benefit from the project's subsidy for JLGC export credit guarantee. The project in general, and JLGC in particular will ensure that the funded activities will follow the principle of non-discrimination and pay particular attention to inclusion of women and vulnerable groups.

Managing such risks means that the Project and JLGC must develop and maintain adequate systems, procedures, and capacity for identifying, managing, and monitoring environmental and social (E&S) risks and impacts of business activities financed as commensurate with the types, scope, and nature of financing provided. This is achieved primarily through the development and implementation of an Environmental and Social Management System (ESMS).

The Project's PMU established at the Ministry of Industry, Trade and Supply (MOITS) will monitor and oversee the implementation of this ESMS by JLGC.

## 2.1 Objectives of the Policy:

Through the application of this policy JLGC will seek to ensure through its E&S due diligence and monitoring processes that all business activities benefitting from JLGC export credit guarantee with a premium subsidy provided by the Fund are designed and implemented in compliance with applicable regulatory requirements of Jordan and good international practices and standards.

The main objectives of this Policy are:

- a. To set out applicable E&S requirements for all business activities covered by JLGC export credit guarantee whose premium is subsidized by this project ;
- b. Stipulate measures to be taken by JLGC to develop and/or strengthen its Environmental and Social Management System (ESMS);
- c. Fully implement and comply with national requirements for E&S risk management in Jordan, as well as World Bank funding requirements;
- d. Integrate E&S risk management considerations into JLGC's export credit guarantee

- program;
- e. Promote greater transparency and accountability on E&S issues internally and externally through a well-functioning grievance handling mechanism as well as disclosure and reporting requirements.

## 2.2 Scope of Application:

The requirements of this Policy apply to the JLGC export credit guarantee facility, supported by the Project through subsidized guarantee premium, and the ultimate micro-borrowers.

### Applicable Requirements

1. JLGC will only provide export credit guarantees to business activities that are expected to meet Applicable Environmental and Social (E&S) Requirements within a reasonable period of time.
2. JLGC will maintain labor management procedures in line with national laws, and World Bank Performance Standard 2 on Labor and Working Conditions, and the Labor Management Procedures (LMP) developed for this Project.
3. JLGC will promptly notify the Fund, of any social, labor, health and safety, security or environmental incident, accident or circumstances which may have any material impact on the compliance of the Applicable Environmental and Social Requirements.

## 2.3 Disclosure and Reporting

This approved JLGC E&S Policy is publicly disclosed on JLGC's website. The implementation/compliance provisions of this Policy are made part of the bilateral agreement between JLGC and the Fund.

## 2.4 Accountability and Grievance Redress Mechanism (GRM)

JLGC recognizes the importance of accountability and that stakeholder concerns should be addressed in a manner that is fair, objective, and constructive. The purpose of a Grievance Redress Mechanism (GRM) is to establish a way for affected individuals, groups or communities to communicate their concerns or formal complaints.

The Project has developed GRM procedures included as part of the Stakeholder Engagement Plan (SEP) and provide clear steps for submitting and handling complaints and grievances received against the Project. As part of this GRM, JLGC will put in place effective GRM procedures to process and handle local public grievances regarding environmental and social impacts of its funded activities during sub-projects' establishment and operation. The Project Officer/E&S Focal Point will address issues to receive and facilitate the resolution of affected persons concerns and grievances about physical and economic displacement and other project impacts, paying

particular attention to the impacts on vulnerable groups. The GRM should be scaled to the risks and adverse impacts of the project.

The Process flow in the grievance handling mechanism could include the following procedures:

- i. The affected individual or party/ community should register their complaint with JLGC that will have a grievance handling mechanism established as part of its ESMS. The JLGC should resolve the complaint within the stipulated time under their internal policy.
- ii. If the complaint is not responded to the satisfaction of the affected party, the complainant may register their complaint through the Fund Finance Officer/E&S focal Point giving reference of the previous complaint number.
- iii. The GRM Focal Point at the PMU at MOITS will make all efforts to resolve the complaint within a reasonable period of time after the initial contact. The parties to the complaint will receive a written response from PMU/JLGC.
- iv. The data on complaints and their outcomes will be kept by JLGC (and the PMU at MOITS) and will be made part of the annual review reports of the Project.

Additionally, JLGC is also open to accepting grievances from groups or individuals affected by the operations of final borrowers who may have E&S impacts on surrounding communities (e.g. pollution of local water sources, etc.). It is required by this Policy that JLGC implements and maintains a procedure for external communications / grievance mechanism that includes methods to receive, register, screen and assess, track, respond to, and act upon external inquiries and complaints from the public regarding their operations.

It is to be noted that GRM for “workers” under the Project is separate and is addressed under The World Bank ESS2 “Labor and working Conditions”.

### **3 ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT PROCEDURES**

In its guarantee activities, JLGC shall pursue its objective of sensitization about E&S risks through creating awareness amongst clients that it works with. This will be done through well-defined E&S risk management procedures.

These procedures are embedded in the overall investment screening and appraisal process, and form part of JLGC’s decision-making for providing guarantees to eligible manufacturing exporters:

- JLGC screens all applicant firms against any exclusions in the Legal Agreement and the Environmental and Social Commitment Plan (ESCP);
- JLGC screens all applicant firms for environmental and social risks and impacts;
- Require that applicant firms be prepared and implemented in accordance with relevant environmental and social national and local laws and regulations and the relevant requirements of the ESSs of the World Bank that are applicable to the Project;
- Require specified applicant firms to apply the relevant requirements of the ESSs;

The objective of these E&S Procedures is to facilitate and promote:

- Proper implementation and institutionalization of E&S risk management measures;
- Identification and mitigation of E&S risks involved in JLGC's guarantee scheme;
- Fulfillment of E&S legal and the World Bank's requirements;
- Measuring, monitoring, reviewing and reporting E&S risks of the Project's portfolio.

### 3.1 Environmental and Social Due Diligence for JLGC:

In agreeing to participate in the Project, the JLGC accepts responsibility to MOITS and the World Bank for mandatory screening, assessment, and management of the environmental and social risks and impacts of proposed transactions taken under the Project in a manner that is consistent with World Bank Standards as well as the financial institution's corporate practices and policies for Corporate Responsibility.

All guarantees to be extended by JLGC under this Project should be subjected to an environmental and social review process incorporating the procedures described in this ESMS. These procedures and requirements incorporate also the World Bank's Environmental and Social Framework (ESF) requirements through the different Environmental and Social Standards (ESSs).

Environmental Protection Law No. (6) of 2017

Article (3) and 4-M of this Law states that the Ministry of Environment is the authority responsible for protecting the environment in the Kingdom, and it is responsible for monitoring and measuring the elements and components of the environment.

Under the same Law, companies are to go through an environmental and social screening process. The screening of projects will determine each project as one of these general modes of safeguards:

- 1- A Project that has a high and substantial risk. These types of projects are to be excluded from financing;
- 2- A project that has a limited risk. In this case relevant documents in compliance with WB should be completed and investment documents are to be signed according to the Jordanian regulations and WB requirements.
- 3- A Project with low risk. In this case no assessment is required.

Accordingly, and as part of the due diligence under Jordanian laws applicant firms will complete environmental and social risk screening forms to be submitted with their applications. Any firm which doesn't comply with the stipulations of the applicable laws and regulations will be excluded from financing under the Project.

Environmental classification and licensing By-law No. 69 of 2020

This Regulation is composed of 25 articles and 5 Annexes. Articles 1,2 and 3 deal with terms, definitions and geographical coverage this bylaw govern. Article 4 defines the categories of activities implemented within enterprises based on their effects on environment where three categories have been provided. Article 7 provides for the establishment of the Environmental Impact Assessments (EIA) committee at the Ministry of Environment formed by 8 members to study the projects and their effects. It is important to note that the bylaw contains an extensive

list of activities categorized according to the risk they impose into high, moderate, limited, and low risks. In addition, steps/ procedure of conducting the Environmental Impact Assessment is provided.

However, for the purposes of this Project all applications and proposals for accessing the guarantee scheme offered by JLGC under the project will be directly submitted to JLGC.

### 3.2 JLGC E&S Procedures and Requirements:

JLGC will implement the following procedures in accordance with applicable local laws and regulations and the World Bank requirements as follows:

- Maintain organizational Capacity and Competency as defined in this ESMS based on an evaluation of the staffing needs according to the nature of portfolio and the expected workload, and acceptable to the Bank
- Designate an Environmental and Social Risk Management Focal Point inside JLGC;
- JLGC will comply with any exclusions stated in the Subsidiary Agreement and apply any relevant national law for all applicant firms;
- JLGC will conduct an E&S screening process for every application submitted by interested firms to ensure compliance with the Project's E&S Policies and regulations;
- Review and assess the submitted applications from interested firms against the List of Excluded Activities below;
- Document all relevant documentation in a systematic manner.

### 3.3 Exclusion List of Sectors:

As per the stipulations of the Project's Environmental and Social Commitment Plan (ESCP), the following type of activities are excluded and considered as ineligible for financing under the Project:

1. Any activity with significant environmental and social risks, the negative impacts of which will be considered diverse, varied, irreversible and unprecedented.
2. Any activity containing or involving the following: Production or activities involving forced labor / harmful child labor; Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements; Production or trade in weapons and munitions; Gambling, casinos and equivalent enterprises; Trade in wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES); Production or trade in radioactive materials; Production or trade in or use of unbounded asbestos fibers; Production or trade in wood or other forestry products from unmanaged forests; Production or trade in products containing poly-chlorinated biphenyl, or PCBs; Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals; Production or trade in pharmaceuticals subject to international phase outs or bans; Production or trade in

pesticides/herbicides subject to international phase outs or bans; Production or trade in ozone depleting substances subject to international phase out;,,.

3. All the other excluded activities set out in the ESMF of the Project that are substantial to high risks.

### 3.4 Approval and Conditions of Financing

The following requirements and performance commitments will be applicable and formalized in guarantee covenants as part of the approval process.

- Use all reasonable efforts to ensure the E&S performance of the borrowers is in compliance with applicable requirements of JLGC.
- JLGC to provide annual E&S reporting to the Fund based on an agreed format.
- Within three days of occurrence, JLGC will require the beneficiary firms to notify JLGC, of any social, labor, health and safety, security or environmental incident, accident or circumstance having, or which could reasonably be expected to have, any material impact on compliance with applicable E&S requirements.

Environmental and Social Risk Management for the Project at JLGC is responsible for proposing, reviewing, and verifying that E&S covenant are included in each guarantee agreement between JLGC and the firm.

## 4 IMPLEMENTATION CAPACITY, ROLES AND RESPONSIBILITIES:

This Chapter discusses the organizational capacity committed to ensure proper implementation of the ESMS, through well-defined roles and responsibilities of JLGC staff in charge of implementing and maintaining oversight of the various parts of the E&S Policy and E&S Procedures. JLGC’s management is committed towards environmental and social safeguards and the following

JLGC will also Provide and maintain appropriate labor management procedures, consistent with the Project’s LMP and ESS2.

The following Table shows implementation arrangements and E&S required capacity within JLGC:

Unit/ Staff	Roles and Responsibilities
PMU/MOITS	<ol style="list-style-type: none"> <li>1. Overall E&amp;S responsibility of the Project</li> <li>2. Implementation of the different E&amp;S safeguards instruments developed for the Project</li> <li>3. Oversee compliance with E&amp;S standards and policies by all stakeholders under the Project.</li> </ol>
JLGC Management	<ol style="list-style-type: none"> <li>1. Adopt and oversee implementation of JLGC’s ESMS.</li> </ol>

	<ol style="list-style-type: none"> <li>2. Review and approval of the Project’s E&amp;S Policy and Procedures.</li> <li>3. Allocation of needed resources and budget for implementation.</li> <li>4. Oversight and overall accountability for E&amp;S risk management to external stakeholders and the World Bank.</li> <li>5. Overall responsibility for E&amp;S risk management and its integration in the overall risk management process for the Project.</li> </ol>
<p>E&amp;S Risk Management Focal Point at JLGC</p>	<ol style="list-style-type: none"> <li>1. Day-to-day management and oversight of E&amp;S risk management, in line with the JLGC E&amp;S Policy and Procedures for the Project, including E&amp;S due diligence and supervision.</li> <li>2. Ensuring quality, completeness, and timeliness of MFIs E&amp;S reporting.</li> <li>3. Periodically review the E&amp;S management status and flag any of the high-risk operation</li> <li>4. Preparing and providing regular E&amp;S reporting to JLGC’s Senior Management and other stakeholders.</li> <li>5. Preparing revisions to the JLGC E&amp;S Policy and E&amp;S Procedures and presenting them for approval by Management.</li> <li>6. Ensuring that E&amp;S Procedures are integrated into JLGC’s guidelines for portfolio guarantee activity under the Project.</li> <li>7. Ensuring that E&amp;S covenants are included in financing agreements with beneficiary firms.</li> </ol>

**5 MONITORING AND SUPERVISION**

JLGC will conduct monitoring and Reporting of the environmental and social performance of the subprojects under the Project in a manner proportionate to the risks and impacts of the beneficiary firms and provide regular progress reports to the senior management.

**6 EXTERNAL COMMUNICATION AND STAKEHOLDER ENGAGEMENT MECHANISMS**

The objectives of the Project’s Stakeholder Engagement Plan (SEP) is to establish and define a systematic approach for the project to i) engage with stakeholders in an effective and inclusive manner throughout the project cycle on issues that could potentially affect them (ii) ensure that appropriate information on environmental and social risks are disclosed publicly, and (iii) provide a mechanism by which people can raise concerns, provide feedback, or make complaints about

project and any activities related to the project. The SEP is prepared in accordance with the requirements of the World Bank's Environmental and Social Framework (ESF), specifically Environmental and Social Standard (ESS10) on Stakeholder Engagement and Information Disclosure.

A preliminary SEP was prepared and disclosed on February 2022 and shall be consulted and updated within 30 days after the Effective Date and implemented throughout the Project implementation.

The SEP will be implemented by the Project Management Unit (PMU) within the Ministry of Industry, Trade and Supply (MOITS) as the lead implementing agency and Borrower for the project.

The SEP defines responsibilities of the other implementing agencies of the project, namely the Jordan Loan Guarantee Corporation (JLGC), and other implementation intermediaries.

Furthermore, the Project envisages to prepare and develop a Fund's "gender and inclusion action plan" to be consulted, adopted and disclosed on MoITS's website not later than 2 months after Effective Date and implemented throughout the Project implementation.

JLGC will develop procedures for external communications on environmental and social matters proportionate to the risks and impacts of JLGC's portfolio of investments supported under the project, which must adhere to the following guidance:

- The approved JLGC E&S Policy and ESMS will be publicly disclosed on JLGC's website.
- Information must be relevant to stakeholders and reveal not only general information about the project (e.g., purpose, duration, scale, proposed activities), but also potential risks for communities and planned mitigation measures.
- Disclosure of information must occur in a reasonable timeframe to allow stakeholders to process this information and – if applicable – raise concerns.
- The form of disclosure must be targeted to the audience (particularly to affected groups) in the appropriate language and channels of communication.
- Consultation must be carried out in a culturally appropriate, non-discriminatory and gender- sensitive manner, free of external manipulation, intimidation or coercion.

Annex II presents the details of stakeholder engagement activities under the Project, including those related to JLGC.



## ANNEX I: Environmental and Social Risk Screening Checklist

Investment / Project name:					
Sector:					
Number of employees:					
Guarantee size (tentative):					
City/Town:					
Type of location: Urban                      Rural                      Other (please specify)					
Visit Date (if needed):					
A brief description of the Investment / Project:					
No.	Issues	YES	NO	N/A [1]	Comments
I	Exposure to Excluded Activities				
1.1	Does the potential <b>Investment / Project</b> carry out any activities listed on the List of Excluded Activities?  If yes, the investment cannot proceed				
1.2	Does the potential <b>Investment / Project</b> operate in sectors listed on the List of Excluded Sectors (as it relates to SMEs receiving working capital)?  If yes, the investment cannot proceed				
II	E&S Regulatory Compliance and Liabilities				
2.1	Has the <b>Investment / Project</b> provided satisfactory evidence of compliance with relevant environmental, sanitary, health, safety and labor regulations for its business activity /				

	<p>Equipment? (Note and attach the type of evidence provided below):</p> <p>Services:</p> <ul style="list-style-type: none"> <li>▪ Vocational Licence (Greater Amman Municipality)</li> <li>▪ Fabrication:</li> <li>▪ Permit copies (environmental, health &amp; safety, labor)</li> <li>▪ Reports from relevant authorities</li> <li>▪ Other (please specify)</li> </ul>				
2.2	<p>Have any injuries and fatalities occurred in the past 2 years? <i>(if yes, describe how, when, how many)</i></p>				
2.3	<p>Has the <b>Investment / Project</b> had any labor related or environmental incidents – e.g. chemical spills, fires, groundwater contamination – in the past 2 years? <i>(if yes, when and why)</i></p>				
2.4	<p>Has the <b>Investment / Project</b> paid charges or fines/penalties for non-compliance with environmental, sanitary, health, safety and labor regulations and standards in the last two years? <i>(if yes, when and why, please attach copies of most recent inspection reports)</i></p>				
2.5	<p>Is the <b>Investment / Project</b> exposed to potentially significant environmental, sanitary, health, safety and labor liabilities related to the client’s past or ongoing operations? <i>(if yes, specify magnitude)</i></p>				
2.6	<p>Are there highly sensitive locations (“sensitive receptors”) in proximity to <b>Investment / Project</b> activities, including (i) densely populated urban areas; (ii) industrial zones with high cumulative impacts of pollution <i>(if</i></p>				

	yes, provide details) (iii) schools or other community organizations				
III	Reputational Risk Screening	YES	NO	N/A	Comments
3.1	Can <b>Investment / Project</b> activity result with any reputational risk? (e.g. potential affected community, known reputational risks, occupational health and safety risk related with the customer operations, asset to be used in another potential <i>High Risk</i> activity).				
3.2	Did the local citizens or a NGO express their concern or is there evidence of any complaints against the <b>Investment / Project</b> because of the impacts on the environment and/or surrounding communities?				
VI	Issues related to the Investment / Project business activities:	YES	NO	N/A	Comments
4.1.	Environmental Issues				
	§ Are there impacts on air, soil, water through emissions or similar?				
	§ Are there strong smells and/or other irritants associated with business operations?				
	§ Do the business activities require significant consumption of raw materials, energy, and/or water?				
	§ Is there liquid and/or solid waste in the workplace?				

	§ Is there current or potential generation of waste that cannot be recovered, reused, or disposed of in an environmentally and socially sound manner?				
	§ Is there current or potential generation of hazardous waste? Is there an appropriate disposal mechanism in place?				
	§ Is there current or potential generation of wastewater? What is the mechanism for wastewater treatment?				
	§ Are there current or potential air emissions?				
	§ Are there any current or potential impacts on biodiversity (e.g. removal or clearance of trees)?				
4.2.	Occupational and Community Health and Safety				
	Availability of fire protection equipment, personal protective equipment, sufficient lighting, and sufficient work space, availability of sanitation and hygiene facilities?				
	Is there high level of noise (interrupted or continuous)?				
	Are there appropriate life and fire safety measures in place (e.g. access, escape routes, fire hydrants etc.)?				
	Do business activities pose potential risks due to physical, chemical, biological, or radiological hazards to workers or surrounding				

	communities/receptors, during Project construction or operation?				
4.3.	Labor and Working Conditions				
	Are labor and working conditions satisfactory, in line with national law? Are there provisions for both direct and contracted workers[2]?				
	Is there policy that may cause any type of discrimination?				
	Does the <b>Investment / Project</b> employ persons less than 14 years of age?				
	Does the <b>Investment / Project</b> employ young workers (between 14 and 18 years or age) endangers the life, health, or physical, mental, spiritual, moral of these children?				
	Will there be migrant workers required for construction and / or operation of the facilities? If yes, estimate how many and if any labor influx issues may arise (worker accommodation, interactions with local communities)				
	Is there a mechanism for workers to raise workplace concerns with management?				
V	Environmental and social risk management measures:	YES	NO	N/A	Comments

5.1	Are there any financial implications of the environmental and social risk management findings and if so have they been incorporated in the financial or business plans for the Investment / Project? <i>(if yes, please explain)</i>				
5.2	If required, does the Investment / Project have adequate emergency response mechanisms implemented in their facility?				
5.3	If required, has the Investment / Project prepared a mitigation plan/ measures for environmental and social risks for its business activities? <i>(if yes, please state mitigation measures currently followed by the client)</i>				
VI	Comments/Suggestions				
6.1					
VI	E&S Risk Category				
7.1	Low Risk Medium Risk High Risk (in case of high risk, please forward the checklist of review to Environmental and Social Coordinator)	State justification:			
7.2	Full/ partial Environmental Impact Assessment (EIA) required under national law?  Yes, full EIA  Yes, partial EIA  No	If yes, provide details, attach EIA (if available). If EIA not available, request the Investment / Project to provide one within a specified period of time.			

7.3	If yes to the above, has EIA been prepared by a consultant with environmental certificate (competence) and license?	State yes or no, provide details if available.
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X	Decision on eligibility (approval)	
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10.1	<input type="radio"/> Reject <input type="radio"/> Accept / reject with management decision	State reasons:
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Prepared By: Name _____ Title: _____ Date: _____ Signature: _____	Reviewed By: Name _____ Title: _____ Date: _____ Signature: _____	Approved By: Name _____ Title: _____ Date: _____ Signature: _____
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## ANNEX II: STAKEHOLDER ENGAGEMENT PLAN ACTIVITIES OF THE PROJECT

Project stage	Target stakeholders	Topic of consultation / message	Method used	Responsibilities	Frequency of engagement
Preparation	Manufacturing SMEs	<ul style="list-style-type: none"> <li>▪ Challenges facing manufacturing MSMEs growth</li> <li>▪ Needed forms of support to manufacturing MSMEs</li> <li>▪ Rules of origin and export requirements</li> </ul>	<ul style="list-style-type: none"> <li>- Virtual and face-to-face Meetings (respecting social distancing requirements)</li> <li>- Emails</li> <li>- Phone calls</li> </ul>	<p>MoITS World Bank</p>	Periodic
	JLGC	<ul style="list-style-type: none"> <li>▪ Selection process for beneficiary firms</li> <li>▪ Selection criteria</li> <li>▪ E&amp;S requirements from JLGC</li> </ul>	<ul style="list-style-type: none"> <li>- Virtual and face-to-face Meetings (respecting social distancing requirements)</li> <li>- Phone calls</li> </ul>	<p>MoITS World Bank</p>	Periodic
	NGOs	<ul style="list-style-type: none"> <li>▪ capacity development for SMEs</li> </ul>	Face-to-face meeting	<p>MoITS World Bank</p>	One meeting
	Development partners (USAID, DFID, CIDA, EU, GIZ, Netherlands)	<ul style="list-style-type: none"> <li>▪ Coordination between different initiatives</li> <li>▪ Complementarity issues</li> </ul>	<ul style="list-style-type: none"> <li>- Virtual and face-to-face Meetings (respecting social distancing requirements)</li> </ul>	<p>MoITS World Bank</p>	Periodic
	All stakeholders	<ul style="list-style-type: none"> <li>▪ Environmental and social risks and impacts</li> <li>▪ Satisfaction levels</li> </ul>	<ul style="list-style-type: none"> <li>▪ Public Consultations on Environmental and Social Documents Stakeholder Engagement Plan;                             <ol style="list-style-type: none"> <li>1) Environmental and Social Framework.</li> <li>2) Environmental and Social Commitment Plan (ESCP)</li> <li>3) Labor Management Procedures</li> </ol> </li> <li>▪ Date and Location</li> </ul>	<p>MOITS JLGC Implementation intermediaries for matching grant programs</p>	<p>Public consultation on Environmental and Social Documents by Effective Date  Satisfaction Survey once per year</p>



Project stage	Target stakeholders	Topic of consultation / message	Method used	Responsibilities	Frequency of engagement
			<ul style="list-style-type: none"> <li>of Consultations will be posted on MOITS website</li> <li>▪ Satisfaction Survey</li> </ul>		
	Beneficiaries: Key subsets of the manufacturing SMEs market	<ul style="list-style-type: none"> <li>▪ Implementation challenges and obstacles</li> <li>▪ Technical guidance needs</li> <li>▪ Procurement and financial aspects</li> <li>▪ GM functioning</li> <li>▪ Rules of Origin and export requirements</li> </ul>	<ul style="list-style-type: none"> <li>▪ Virtual and face-to-face</li> <li>▪ Meetings (respecting social distancing requirements)</li> <li>▪ Emails</li> <li>▪ Phone calls</li> <li>▪ Social media</li> <li>▪ responding to grievances, concerns and enquiries received through grievance mechanism</li> </ul>	<p>MoITS/PMU JLGC</p> <p>Implementation intermediaries for Matching Grant programs</p>	Periodic, as needed
Implementation	NGOs	<ul style="list-style-type: none"> <li>▪ Challenges in coordinating donor-funded projects they are involved in</li> <li>▪ Possibilities to provide technical support, especially to vulnerable groups under the project</li> </ul>	<ul style="list-style-type: none"> <li>▪ Outreach and public consultations or roundtables with NGO's representing different stakeholder groups will be further defined in the updated SEP.</li> <li>▪ Consultation with groups representing women will be defined in the Gender Action Plan</li> </ul>	<p>MOITS JLGC</p> <p>Implementation intermediaries for matching grant programs</p>	Expected frequency of consultations is twice a year to be further confirmed through consultation on SEP
	Vulnerable groups	<ul style="list-style-type: none"> <li>▪ Challenges faced to access funding</li> <li>▪ Needed technical guidance to apply for funding</li> <li>▪ Specific needs for women entrepreneurs to access funding from the project</li> </ul>	<ul style="list-style-type: none"> <li>▪ Face-to-face and virtual meetings (respecting social distancing requirements) to consult with the following groups and the organizations that represent them, will be further defined in the</li> </ul>	<p>MoITS/PMU JLGC</p> <p>Implementation intermediaries for matching grant programs</p>	Expected frequency of consultations is twice a year to be further confirmed through consultation on SEP

Project stage	Target stakeholders	Topic of consultation / message	Method used	Responsibilities	Frequency of engagement
			<p>updated SEP:</p> <ol style="list-style-type: none"> <li>1. poorer MSMEs and young entrepreneurs from outside Amman</li> <li>2. Micro enterprises from the informal sector</li> <li>3. People with disabilities</li> </ol> <ul style="list-style-type: none"> <li>▪ Consultation and outreach methods to engage with women will be defined in the Gender Action Plan</li> </ul>		
	Development partners	<ul style="list-style-type: none"> <li>▪ Project implementation progress</li> <li>▪ Coordination and collaboration between the different operations</li> </ul>	<ul style="list-style-type: none"> <li>▪ Donor coordination meetings</li> </ul>	MoITS/PMU	Periodic.
	All stakeholders: -	<ul style="list-style-type: none"> <li>▪ Project achievements</li> </ul>	<ul style="list-style-type: none"> <li>▪ Public consultations</li> <li>▪ Seminars</li> <li>▪ Social media</li> </ul>	MoITS/PMU	Multiple engagements
	IMPLEMENTATION INTERMEDIARIES JLGC CBJ	<ul style="list-style-type: none"> <li>▪ Project impact and outcomes</li> <li>▪ lessons learned</li> <li>▪ Implementation Challenges</li> <li>▪ Functioning of GM</li> </ul>	<ul style="list-style-type: none"> <li>▪ Seminars</li> <li>▪ Roundtables</li> </ul>	MoITS/ PMU	At least one seminar