

# Aga Khan Foundation

## ENVIRONMENTAL and SOCIAL COMMITMENT PLAN (ESCP)

for

Empowering Microfinance and Enterprises for Resilience and Growth  
(P504220)

Appraised

March 2024

## ENVIRONMENTAL AND SOCIAL COMMITMENT PLAN

1. The Aga Khan Foundation (AKF) and Afghanistan Credit Guarantee Company (ACGF) will implement the Empowering Microfinance and Enterprises for Resilience and Growth (EMERGE) (hereinafter referred as the Project). The International Development Association (the World Bank), acting as the administrator of the Afghanistan Reconstruction Trust Fund (ARTF), has agreed to provide financing for the Project (P504220), as set out in the referred Project Appraisal Document.
2. AKF and ACGF, each for their respective component, shall ensure that the Project is carried out in accordance with the Environmental and Social Standards (ESSs) and this Environmental and Social Commitment Plan (ESCP), in a manner acceptable to the World Bank. Unless otherwise defined in this ESCP, capitalized terms used in this ESCP have the meanings ascribed to them in the referred agreement.
3. Without limitation to the foregoing, this ESCP sets out material measures and actions that the AKF and ACGF, each for their respective component, shall carry out or cause to be carried out, including, as applicable, the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and grievance management. The ESCP also sets out the environmental and social (E&S) instruments that shall be adopted and implemented under the Project, all of which shall be subject to prior consultation and disclosure, consistent with the ESS, and in form and substance, and in a manner acceptable to the World Bank. Once adopted, said E&S instruments may be revised from time to time with prior written agreement by the World Bank.
4. As agreed by the World Bank, AKF and ACGF, this ESCP will be revised from time to time if necessary, during Project implementation, to reflect adaptive management of Project changes and unforeseen circumstances or in response to Project performance. In such circumstances, the AKF, ACGF and the World Bank agree to update the ESCP, AKF and ACGF each for their respective component, to reflect these changes through an exchange of letters signed between the World Bank and the AKF respectively ACGF representatives assigned to the Project. AKF shall promptly disclose the updated ESCP.

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY
<b>MONITORING AND REPORTING</b>			
A	<p><b>REGULAR REPORTING</b></p> <p>Prepare and submit to the World Bank regular monitoring reports on the environmental, social, health, and safety (ESHS) performance of the Project, including but not limited to the implementation of the ESCP, the status of preparation and implementation of E&amp;S instruments required under the ESCP, stakeholder engagement activities, and functioning of the grievance mechanisms.</p>	Submit biannual Progress Reports to the World Bank within 45 days of each reporting cycle throughout Project implementation period.	AKF & ACGF
B	<p><b>INCIDENTS AND ACCIDENTS</b></p> <p>Promptly notify the World Bank of any incident or accident related to the Project that has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public, or workers, including, inter alia, cases of sexual exploitation and abuse (SEA), sexual harassment (SH), accidents that result in death, serious or multiple injury. Provide sufficient detail regarding the scope, severity, and possible causes of the incident or accident, indicating immediate measures taken or that are planned to be taken to address it, and any information provided by any contractor and/or supervising firm, as appropriate.</p> <p>Subsequently, at the World Bank’s request, prepare a report on the incident or accident and propose any measures to address it and prevent its recurrence.</p>	<p>Promptly notify the Bank no later than 48 hours after learning of the incident or accident using such reporting formats as the Bank may require.</p> <p>A subsequent detailed report of the incident is to be provided to the World Bank within (30) days of making the initial report of the incident or accident.</p>	AKF & ACGF
<b>ESS 1: ASSESSMENT AND MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS</b>			
1.1. a	<p><b>ORGANIZATIONAL STRUCTURE - AKF</b></p> <p>Establish and maintain a PIU with qualified staff and resources to support the management of ESHS risks and impacts of the Project.</p> <p>The PIU established by AKF will draw on the “Water Emergency Relief Project” WERP’s dedicated Environmental Specialist, dedicated Social Development Specialist, Security Specialist, GRM Officer, and Gender and SEAH Specialist.</p>	AKF will establish and maintain a PIU as set out in the grant agreement by the Effective Date.	AKF
1.1. b	<p><b>ORGANIZATIONAL STRUCTURE - ACGF</b></p> <p>See text under ESS 9 for details.</p>	See Action 9.3 and 9.4 below.	ACGF
1.2. a	<p><b>ENVIRONMENTAL AND SOCIAL INSTRUMENTS - AKF</b></p> <p>Prepare, consult, disclose, adopt, and implement the project's Environmental and Social Management Framework, Stakeholder Engagement Plan (SEP), and SEA/SH Action Plan, consistent with the relevant ESF standards.</p>	Prepare, consult, disclose, and adopt by project effectiveness and thereafter implement throughout project implementation.	AKF

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY
	<p>In addition, ensure compliance with the Environmental Health and Safety Guideline (EHSGs) and other relevant Good International Industry Practice (GIIP).</p> <p>AKF and ACGF would prepare a combined SEA/SH action plan for the project.</p>	<p>Adopt the SEA/SH Action Plan before the commencement of project activities and thereafter implement the SEA/SH Action Plan throughout Project implementation.</p>	
1.2. b	<p><b>ENVIRONMENTAL AND SOCIAL INSTRUMENTS - ACGF</b></p> <p>ACGF shall utilize its existing ESMS as the E&amp;S instrument. ACGF shall ensure the ESMS is implemented consistent with ESS 9. AKF and ACGF would prepare a combined SEA/SH action plan for the project.</p> <p>See text under ESS 9 for details.</p>	<p>The ESMS is prepared and will be maintained throughout Project implementation.</p>	ACGF
1.3	<p><b>TECHNICAL ASSISTANCE</b></p> <p>Ensure that the capacity building, training, and other technical assistance activities under the Project are carried out in accordance with terms of reference acceptable to the World Bank and that are consistent with the relevant ESSs. Thereafter ensure that the outputs of such activities comply with the terms of reference.</p>	<p>Throughout Project implementation.</p>	AKF
<b>ESS 2: LABOR AND WORKING CONDITIONS</b>			
2.1 (a)	<p><b>LABOR MANAGEMENT PROCEDURES- AKF</b></p> <p>Prepare, consult, disclose, adopt, and implement a simplified labor management procedure consistent with ESS2, as part of the ESMF.</p>	<p>Prior to project effectiveness and thereafter implement throughout project implementation.</p>	AKF
2.1 (b)	<p><b>LABOR MANAGEMENT PROCEDURES - ACGF</b></p> <p>Adopt and implement ACGF Labor Management Procedures (LMP) as part of the ESMS to ensure risks relating to the following are addressed and implemented: i) occupational health and safety risks and impacts are limited to ergonomics, working conditions, risks of SEA/SH etc. ii) clarity on terms and conditions in the contractual arrangement, non-discrimination policies and practices, zero tolerance of Sexual Harassment and iii) SEA/SH sensitive Grievance Mechanism for its workers.</p>	<p>Prior to project effectiveness and thereafter implement throughout project implementation.</p>	ACGF

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY
2.2 a)	<p><b>GRIEVANCE MECHANISM FOR PROJECT WORKERS - AKF</b></p> <p>Publicize, maintain, and operate the existing GRM system, to receive and facilitate the resolution of project worker's concerns and grievances in relation to the Project.</p>	By project effectiveness and thereafter implement throughout project implementation.	AKF
2.2 b)	<p><b>GRIEVANCE MECHANISM FOR PROJECT WORKERS - ACGF</b></p> <p>Refer to ESS9 for GRM requirements for ACGF.</p>		ACGF
<b>ESS 3: RESOURCE EFFICIENCY AND POLLUTION PREVENTION AND MANAGEMENT</b>			
3.1 a)	<p><b>WASTE MANAGEMENT PLAN</b></p> <p>AKF will develop an ESMF which will have provisions for managing the risk and impacts associated with waste management, resource management, and pollution management, for all activities under component 2.</p>	By project effectiveness and thereafter implement throughout project implementation.	AKF
3.1 b)	See text under ESS 9 for details.		ACGF
<b>ESS 4: Community Health and Safety</b>			
4.1	<p><b>SECURITY MANAGEMENT</b></p> <p>Prepare and implement the security risk management measures, which would include any measures necessary to ensure consistency with the ESF requirements including security risk assessment and any security management measures necessary for the implementation of the Project activities. AKF will implement and cause ACGF and participating MFPs to adhere to the project's security risk management plan and any other measures necessary to ensure consistency with the provisions of the ESF.</p>	Prepare the SRM measures before the commencement of project activities and thereafter implement throughout the Project implementation.	AKF
<b>ESS 9: FINANCIAL INTERMEDIARIES [This standard is only relevant for Projects involving Financial Intermediaries (FIs).]</b>			
9.1	<p><b>ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM (ESMS) - ACGF</b></p> <p>ACGF has already established an ESMS which is applied for loans that are guaranteed by ACGF. This ESMS includes the following elements:</p> <ul style="list-style-type: none"> <li>• Identification of the sub-sector businesses of micro, small and medium enterprises.</li> <li>• An environmental and social policy</li> </ul>	ACGF has already established an ESMS and will maintain and implement the ESMS throughout Project implementation.	ACGF

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<ul style="list-style-type: none"> <li>• Clearly defined procedures for the identification, assessment and management of the environmental and social risks and impacts of borrowing enterprises, in accordance with ESS1, ESS2, ESS3, ESS4, ESS9, and ESS10, including, inter alia, stakeholder engagement, and disclosure requirements.</li> <li>• Exclusion list of the sub-sector businesses that are not eligible for financing,</li> <li>• An organizational capacity and competency for implementing the ESMS with clearly defined roles and responsibilities.</li> <li>• Monitoring and reporting of the environment and performance of sub-sector businesses and the effectiveness of the ESMS.</li> <li>• Incidents and accidents notification and subsequent reporting requirements.</li> <li>• Adopt and implement as part of the ESMS, the security risk management strategy/plan developed by AKF and implement it throughout the project's lifetime.</li> <li>• An external communications mechanism and A GRM system, including measures to respond to public complaints, inquiries, and concerns in a timely manner. In addition, the existing GRM system of ACGF will be further strengthened to effectively respond to SEA/SH issues.</li> </ul> <p>ACGF will ensure that MFPs commit to a proportionate application of this ESMS considering the expected low average loan size under the project, i.e., ACGF will include in the contractual agreements with the MFPs specific E&amp;S provisions that will ensure that the MFPs implement screening procedures for all loans against the negative list as included in the Project Operations Manual. ACGF will periodically monitor on a sample basis the implementation of the MFPs' screening mechanism and include the results in the E&amp;S reporting.</p> <p>ACGF will work with the MFPs prior to signing Conditional Capital Support Grant Agreements to prepare them for the implementation of the above-described screening mechanism.</p>		
<p>9.2</p> <p><b>EXCLUSIONS</b></p> <p>Screen all proposed loans to be provided by MFPs to small and micro enterprises against the exclusion list set out in the Operations Manual.</p>	<p>Screen loans before determining whether they are eligible to receive support from the Project.</p>	<p>ACGF</p>

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY
9.3	<p><b>FI ORGANIZATIONAL CAPACITY</b></p> <p>Establish and maintain an organizational capacity and competency for implementing the ESMS with clearly defined roles and responsibilities.</p> <p>ACGF has already in place a dedicated environmental &amp; Social specialist, who will be supported by regional and HQ-based specialists.</p>	ACGF has already established an organizational capacity for implementing the ESMS and will maintain it throughout the project implementation period.	ACGF
9.4	<p><b>SENIOR MANAGEMENT REPRESENTATIVE</b></p> <p>Designate a senior management representative to have overall accountability for environmental and social performance of ACGF ESMS for Component 1 activities of the Project.</p>	By project effectiveness and thereafter maintain throughout project implementation.	
<b>ESS 10: STAKEHOLDER ENGAGEMENT AND INFORMATION DISCLOSURE</b>			
10.1. a	<p><b>STAKEHOLDER ENGAGEMENT PLAN PREPARATION AND IMPLEMENTATION</b></p> <p>Adopt and implement a Stakeholder Engagement Plan (SEP) for the Project, consistent with ESS10, which shall include measures to, inter alia, provide stakeholders and project actors with timely, relevant, understandable, and accessible information, and consult with them in a culturally appropriate manner, which is free of manipulation, interference, coercion, discrimination, and intimidation. This shall include measures to consult the E&amp;S instruments for the Project with key stakeholders. There is a Preliminary SEP prepared which will be subject to stakeholder consultation and updating.</p>	Update and consult upon and re-disclose the updated SEP within (60) sixty days after the Project Effective Date and prior to any activities. Thereafter, implement it throughout the project implementation.	AKF/ACGF
10.2. a	<p><b>PROJECT GRIEVANCE MECHANISM - AKF</b></p> <p>Publicize, maintain, and operate the existing grievance mechanism, to receive and facilitate the resolution of concerns and grievances in relation to the Project, promptly and effectively, in a transparent manner that is culturally appropriate and readily accessible to all Project-affected parties and stakeholders, at no cost and without retribution, including concerns and grievances filed anonymously, in a manner consistent with ESS10.</p> <p>The grievance mechanism shall be equipped to receive, register, and facilitate the resolution of SEA/SH complaints, including through the referral of survivors to relevant to gender-based violence service providers, all in a safe, confidential, nondiscrimination, respect access to services and survivor-centered manner.</p>	Adopt and publicize existing grievance mechanisms before the commencement of project activities and thereafter maintain and operate the mechanism throughout Project implementation.	AKF
10.2. b	<p><b>PROJECT GRIEVANCE MECHANISM – ACGF</b></p> <p>ACGF ESMS system includes the GRM system, which will be accessible to all project stakeholders. The GRM system will have several uptake channels for registering complaints and providing feedback after complaint resolution.</p>	Adopt and publicize existing grievance mechanisms before the commencement of project activities and thereafter maintain and operate the mechanism throughout Project implementation.	ACGF

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY
<b>CAPACITY SUPPORT</b>			
CS1	All capacity-building activities and training will be further detailed in a Capacity Building and Training Plan. AKF and ACGF shall facilitate training as per the training plan to build the capacity of the relevant staff of MFPs.		
CS1 a)	<p>Content of capacity building – AKF - will include but not limited to:</p> <ul style="list-style-type: none"> <li>• Stakeholder mapping, analysis, and engagement</li> <li>• SEA/SH Risk Mitigation</li> <li>• GRM</li> <li>• Monitoring and reporting on E&amp;S due diligence</li> <li>• Incident reporting and understanding of ESIRT.</li> </ul> <p>Security risk management measures</p>	Throughout Project Implementation	AKF
CS1 b)	<p>Content of capacity building – ACGF - will include but not limited to:</p> <ul style="list-style-type: none"> <li>• Proportionate ESMS operationalization</li> <li>• Stakeholder mapping, analysis, and engagement</li> <li>• SEA/SH Risk Mitigation</li> <li>• GRM</li> <li>• Monitoring and reporting on E&amp;S due diligence</li> <li>• Incident reporting and understanding of ESIRT.</li> <li>• Security risk management measures</li> </ul>	Throughout Project Implementation	ACGF