

Ministry of Finance of the Kyrgyz Republic

Emergency Support for MSMEs Project (P174028)

ENVIRONMENTAL and SOCIAL COMMITMENT PLAN (ESCP)

June 19, 2020

ENVIRONMENTAL AND SOCIAL COMMITMENT PLAN

1. The Kyrgyz Republic (the **Recipient**) will implement the Emergency Support for Micro, Small, and Medium Enterprises (MSMEs) Project (the **Project**), with the involvement of the following Ministries/agencies/units: Ministry of Finance (**MOF**). The *International Development Association (hereinafter the Association)* has agreed to provide financing for the Project. The project will provide support to MSMEs through Reimbursable Financial Assistance (Component 1) and a Portfolio Risk Sharing Facility facilitated by the State Guarantee Fund (SGF) through participating financial institutions (PFIs) (Component 2).
2. The Recipient will implement material measures and actions so that the Project is implemented in accordance with the Environmental and Social Standards (**ESSs**). This Environmental and Social Commitment Plan (**ESCP**) sets out material measures and actions, any specific documents or plans, as well as the timing for each of these.
3. The Recipient is responsible for compliance with all requirements of the ESCP even when implementation of specific measures and actions is conducted by the Ministry, agency or unit referenced in paragraph 1, above.
4. Implementation of the material measures and actions set out in this ESCP will be monitored and reported to the Association by the Recipient as required by the ESCP and the conditions of the legal agreement, and the Association will monitor and assess progress and completion of the material measures and actions throughout the implementation of the Project.
5. As agreed by the Association and the Recipient, this ESCP may be revised from time to time during Project implementation, to reflect adaptive management of Project changes and unforeseen circumstances or in response to assessment of Project performance conducted under the ESCP itself. In such circumstances, the Recipient will agree to the changes with the Association and will update the ESCP to reflect such changes. Agreement on changes to the ESCP will be documented through the exchange of letters signed between the Association and the Recipient. The Recipient will promptly disclose the updated ESCP.
6. Where Project changes, unforeseen circumstances, or Project performance result in changes to the risks and impacts during Project implementation, the Recipient shall provide additional funds, if needed, to implement actions and measures to address such risks and impacts.

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY/AUTHORITY
MONITORING AND REPORTING			
A	REGULAR REPORTING: Prepare and submit to the Bank regular monitoring reports on the environmental, social, health and safety (ESHS) performance of the Project, including but not limited to, stakeholder engagement activities and grievances log.	<i>Quarterly throughout Project implementation.</i>	<i>MOF/PIU</i>
B	<p>INCIDENTS AND ACCIDENTS</p> <p>Promptly notify the Bank of any incident or accident related to the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers including but not limited to; incidents and accidents encountered during implementation of the PFI's Environment and Social Management System (ESMS).</p> <p>Require financial beneficiaries to provide sufficient detail regarding the incident or accident, findings of the Root Cause Analysis (RCA), indicating immediate measures or corrective actions taken or that are planned to be taken to address it, compensation paid, and any information provided by any sub-borrower firm, as appropriate.</p> <p>Subsequently, as per the Bank's request, prepare a report on the incident or accident and propose any measures to prevent its recurrence.</p>	<i>The PIU will report details of any significant environmental or social incidents (e.g. fatalities, lost time incidents, environmental spills etc.) within 48 hours from learning about the incident. PIU will submit an incident report, including RCA, precautions and compensation measures taken within 15 business days.</i>	<i>MOF/PIU/SGF</i>
ESS 1: ASSESSMENT AND MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS			
1.1	<p>ORGANIZATIONAL STRUCTURE: MOF shall establish an organizational structure with qualified staff to support management of environment and social risks including environment and social specialists responsible for ensuring full compliance with the ESF and relevant instruments, which shall include the Environmental and Social Specialists at the PIU.</p> <p>This shall include the appointment of two technical staff – one environmental and social staff.</p> <p>The PIU shall ensure that the above-mentioned staff remain on assigned duty until the end of Project Implementation.</p>	<p><i>The PIU Environmental and Social Safeguards Officer shall be maintained throughout the Project.</i></p> <p><i>Maintain Organizational Structure as necessary throughout Project implementation.</i></p>	<i>MOF/PIU</i>
1.2	<p>ENVIRONMENTAL AND SOCIAL ASSESSMENT</p> <p>Component 1 - The PIU will develop eligibility criteria, acceptable to the Association, for the Reimbursable Financial Assistance to be financed under Component 1 to ensure that only operational expenses are financed.</p>	<i>Eligibility criteria published prior to the PIU providing any finance for Reimbursable Financial Assistance under Component 1.</i>	<i>PIU</i>

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY/AUTHORITY
1.3	Component 2 – The PIU will prepare, disclose, adopt, and implement an ESMS guidance note, acceptable to the Association, to ensure that all PFIs selected under Component 2 develop and implement an ESMS in line World Bank ESF requirements. The guidance note will make it clear that the Project will finance only those MSMEs whose activities involve moderate or low environment and social risks classified in accordance with the ESS 9. The guidance note will also include an ESMS Table of Content and the World Bank Group Exclusion List for Financial Intermediaries.	<i>The guidance note to be prepared and accepted by the Association before any PFI is identified under Component 2.</i> <i>The guidance note will be used throughout Project implementation.</i>	PIU/SGF
1.4	The SGF, with support from the PIU, shall ensure that each PFI shall develop, maintain and implement an ESMS, acceptable to the PIU and the Association, in line with the requirements of ESS 9. The ESMS shall include documents and procedures to ensure that the financing activities under the project are compliant with the guidance note, the applicable national laws and the World Bank ESSs.	<i>Throughout Project implementation.</i>	PIU/SGF
1.5	As part of their finance approval process, the SGF, with support from the PIU, shall ensure that each PFI conducts environment and social due diligence assessments for each guarantee recipient in line with the guidance note, the PFI's ESMS, national laws, and ESS 9. Where applicable, environment and social action plans (ESAP) shall be developed to address identified gaps following the assessments.	<i>Prior review by the Association for the first guarantee from each PFI.</i> <i>Post review for the remainder throughout Project Implementation.</i>	PIU/SGF/PFIs
ESS 2: LABOR AND WORKING CONDITIONS			
2.1	LABOR MANAGEMENT: The Project Operations Manual (POM) shall include provisions on labor management to ensure that the Project shall be carried out in accordance with the applicable requirements of ESS 2, in a manner acceptable to the Bank, including through, inter alia, implementing adequate occupational health and safety measures (including emergency preparedness and response measures), setting out grievance arrangements for Project workers.	<i>Throughout Project implementation.</i>	MOF/PIU/SGF/PFIs
2.2	LABOR MANAGEMENT PROCEDURES: PIU to cause all relevant participating entities to Develop, adopt and implement labor management procedures (LMP)- as detailed in the ESMS.	<i>Throughout Project implementation.</i>	PIU/SGF/PFIs
2.3	GRIEVANCE MECHANISM FOR PROJECT WORKERS: Maintain and operate an accessible grievance mechanism (GM) for Project workers as described in the HR policies and procedures, consistent with requirements under the national law and ESS 2.	<i>Throughout Project implementation.</i> <i>Report semi-annually through Project Progress Reports.</i>	MOF/PIU/SGF/PFIs
ESS 9: FINANCIAL INTERMEDIARIES			
9.1	Preparation, adoption and implementation of an ESMS acceptable to the PIU and the Association, by each PFI.	<i>Throughout Project Implementation.</i>	PIU/SGF/PFIs

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY/AUTHORITY
9.2	<p>As part of the Project finance approval process, the PIU shall ensure that within their existing credit approval framework, all PFIs shall develop and implement an environment and social management system (ESMS) that is acceptable to the Association. The ESMS, commensurate to its lending activity shall include a simplified process with the following key elements:</p> <ul style="list-style-type: none"> (a) An overall strategy and policy commitment; (b) Environmental and Social Procedures with respect to the principles below: <ul style="list-style-type: none"> a. Screening all subprojects under the Project against any exclusions in the legal agreement. b. Screen, review, and categorize the subprojects under the Project according to their potential environmental and social risks and impacts. c. Requiring that all subprojects under the Project are assessed, prepared, and implemented to meet national law, the World Bank Group Exclusion List and the relevant requirements of the ESSs are applied. d. Ensure that the measures needed to satisfy the requirements of (c) above are set out in the legal agreement between the PFIs and the beneficiaries. e. Monitor, keep, and regularly update environmental and social information on the subprojects under the scope of the Project. f. Monitor the environmental and social risk of the World Bank portfolio. 	<i>Throughout Project implementation.</i>	<i>PIU/SGF/PFIs</i>
ESS 10: STAKEHOLDER ENGAGEMENT AND INFORMATION DISCLOSURE			
10.1	<p>STAKEHOLDER ENGAGEMENT PLAN: Prepare, disclose, adopt, and implement a Stakeholder Engagement Plan (SEP) consistent with ESS 10, in a manner acceptable to the Association.</p>	<i>A draft SEP was already prepared and disclosed and shall be updated as necessary.</i>	<i>PIU/SGF</i>
10.2	<p>GRIEVANCE MECHANISM: Accessible grievance arrangements shall be made publicly available to receive and facilitate resolution of concerns and grievances in relation to the Project, consistent with ESS 10, in a manner acceptable to the Association.</p>	<i>Throughout Project implementation.</i>	<i>MOF/PIU/SGF</i>

CAPACITY SUPPORT (TRAINING)		
	<p><u>Training topics for personnel involved in Project implementation will among others include:</u></p> <ul style="list-style-type: none"> • ESS training for all the participating PFIs • ESMS Preparation for PFIs • ESMS administration, preparation of other relevant environment and social instruments; monitoring and reporting. • Condition of Stakeholder Engagements 	<p><i>Throughout Project implementation.</i></p> <p><i>PIU/SGF</i></p>