

Ministry of Finance of the Kyrgyz Republic

Kyrgyzstan: Emergency Support for Private and Financial Sector

STAKEHOLDER ENGAGEMENT PLAN

Bishkek, Kyrgyz Republic

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Acronyms and Abbreviations

AIS	Automated information system
COO	Community outreach officer
CU	Credit Union
E&S	Environmental and Social
ESS	Environmental and Social Standards of the WB
GOK	Government of the Kyrgyz Republic
GRM	Grievance Redress Mechanism
IDA	International Development Association
IEs	Individual Entrepreneurs
IFC	International Finance Corporation
IPC	Interbank Processing Center
M&E	Monitoring and Evaluation
MCA	Microcredit Agency
MCC	Microcredit Company
MFC	Microfinance Company
MFIs	Microfinance Institutions
MoF	Ministry of Finance of the Kyrgyz Republic
MSMEs	Micro, small and medium enterprises
NBKR	National Bank of the Kyrgyz Republic
NPLs	Non-paying loans
OIPs	Other interested parties
PAPs	Project-affected parties
PBG	Performance-based grants
PDO	Project Development Objectives
PFI	Participating Financial Institutions
PIG	Project Implementation Group
PIU	Project Implementation Unit
PPCG	Partial portfolio credit guarantee
SDAs	Selected Grant Administrators
SFIs	Selected Financial Institutions
SEP	Stakeholder Engagement Plan
SGF	OJSC “State Guarantee Fund”
WB	World Bank

1. INTRODUCTION

1.1 Project background

The Kyrgyz economy faces an unprecedented challenge stemming from the COVID-19 crisis with a simultaneous shock to demand through a decline in consumer willingness and ability to spend and to supply through disruptions to supply chains and labor markets. The crisis will have both an immediate and medium-term impacts on the private sector, and, in turn, on the financial sector. Micro, small and medium enterprises (MSMEs) face an imminent threat in their ability to meet short-term operational needs and expenses (i.e., payroll, utility, rents, and payment to suppliers), which could bring a number of otherwise viable businesses to bankruptcy, transforming a short-term crisis into a long-term disruptor of productivity, job creation and growth. This situation will be worsened, if the financial sector decides to deleverage and reduce the availability of finance, in expectation that many of the borrowers might default in the future, thereby generating a “knock-on” effect on the economy. Without targeted interventions, the outcome could be widespread closure of MSMEs and permanent, large-scale layoffs. Furthermore, the real sector crisis might create additional stress on the financial sector.

To mitigate the impact of the crisis, the Government of the Kyrgyz Republic has approved the Anti-Crisis Plan includes a liquidity injection in the form of a soft loan program of at least US\$175 million. While liquidity support will allow banks to cushion shocks from the delayed loan repayment and continue to have liquidity for lending to the private sector, these measures alone are not sufficient to cope with the COVID-19 crisis as the financial institutions will still bear the credit risk and will thus be unwilling to lend to SMEs who are healthy before the crisis but have higher perceived credit risk during the crisis, reducing the impact of government support. The initial economic response plan included US\$15 million in measures including deferral of several tax obligations and limited price controls on essential food items. The follow-up plan of around US\$400 million is being finalized to address the economic and social impact through food security measures, liquidity support for banks to provide financing to SMEs, and other administrative actions.¹

To support the Kyrgyz Republic’s immediate needs to address the COVID-19 emergency, the International Development Association (IDA) has allocated US\$50.0 million from IDA-18/IDA-19 to implement Emergency Support for Private and Financial Sector Project in the Kyrgyz Republic. The project also builds on extended consultations with development partners that have resulted in securing co-financing of US\$50.0 million by the Asian Infrastructure Investment Bank (AIIB).

The Project Development Objective (PDO) is to support MSMEs in response to and during the recovery from the COVID-19 crisis. Three components to achieve the development objective are as follows:

Component 1. Financial Assistance to SMEs: Reimbursable Financial Assistance (RFA) to MSMEs.

Table 1: Summary of Beneficiaries under Component 1

	Activity 1.1	Activity 1.2
Beneficiaries	Micro and small individual entrepreneurs	All other small and medium businesses (legal entities and physical entities)
Rationale	Keeping subsistence businesses in the market to retain their incomes	Prevent viable businesses from exiting the market disrupting the labor market and supplier relationships
Estimated size of beneficiary pool	Patentholders and Single Tax Payers ¹ : 88,550	Legal entity SMEs: 15,000 IEs ² : 31,250
Eligibility criteria	Evidence of 2 years of active operation and payment of social tax	1+ years of profitable operation shown by tax return

¹ Action Plan of the Kyrgyz Government for 2020 to Restore and Support the Activities of Economic Sectors and Business Entities

		No uncontested arrears on tax or social payments No negative marks on a credit report
Assistance size	Lump sum	Variable based on number of employees
Reimbursement terms	Four years if still operating Partial forgiveness envisioned based on growth or formalization	Four years if still operating

1. This includes 75,000 voluntary patentholders, 5,250 mandatory patentholders, and 7,300 individuals working a special tax regime (known as ‘single tax’).
2. This includes both 30,000 individual entrepreneurs registered as businesses with the tax committee (known as ‘Certificate’ IEs) as well as 1,250 individual entrepreneurs working through a special tax regime (known as ‘Tax Contracts’).

The RFA will be distributed to eligible MSMEs during a period of 12-18 months and will be available on an interest free basis for a period of up to 4 years from disbursement. The reimbursement of the principle amount will only be applicable to businesses that are still in operation at the end of the four-year period. Selected Disbursement Administrators (SDAs) will disburse the RFA, acting as agents on behalf of the government. The SGF will undertake the selection, monitoring and coordination with the SDAs. The SDAs will be responsible for verifying the beneficiary eligibility and confirming the use of funds. The RFA will be disbursed to the financial account of the beneficiary. The use of SDAs will not only help to achieve expedience and comprehensive geographic coverage but also encourage the inclusion of MSMEs in the formal financial sector. While the component is scaled to cover all eligible beneficiaries, the RFA will be awarded on a first-come first-serve basis in the case of higher than expected uptake (until all funds have been disbursed). The RFA will be designed to best fit the needs and characteristics of different types of beneficiaries:

Sub-component 1.1: RFA for micro entrepreneurs. This sub-component will provide RFA to eligible subsistence micro entrepreneurs working largely through a presumptive tax regime i.e. patents (from a total pool of approximately 88,500 businesses). Eligible beneficiaries will be those businesses that have been operating for a minimum period of time prior to COVID-19. They will receive a lump-sum amount of about US\$500. The government may partially forgive the repayment of principle after four years for businesses still in operation if the entrepreneurs demonstrate specific actions, such as the formation of a legal entity, or the introduction of electronic cash registers.

Sub-component 1.2: RFA for SME. This sub-component will provide RFA to eligible SMEs (from a total pool of approximately 46,000 businesses). RFA will be proportional to the size of businesses as measured by the number of formal employees. The RFA will be subject to: (i) the verification of the business viability prior to COVID-19 (as measured by *inter alia*, at least one year of continuous non-loss making operation, no outstanding arrears on tax or social repayment obligations, and no negative credit reports); and (ii) the use of the funds to cover a pre-determined set of eligible operating expenses including *inter alia*, payroll, suppliers, rent, and utilities to be covered in a “cascade approach”;² and, (iii) the utilization of electronic payments for the settlement of the expenses.³

Component 2 finances a portfolio risk sharing facility (PRSF) for eligible MSME loans. The objective is to reduce the risk of deleveraging by the financial sector during the crisis and to foster credit provision to MSMEs during the recovery by sharing credit risk in MSME loans with financial institutions. The Component will finance the establishment of and the funding for the PRSF, which will be managed by the SGF. The facility will offer a fee-based partial credit guarantee to share a part of the credit risk in eligible MSME loans from eligible participating financial institutions (PFIs). PFI eligibility will be based on criteria such as meeting key prudential norms and demonstrating sound credit procedures and information systems. The facility will offer guarantee on a portfolio basis. All eligible MSME loans from the PFIs will be automatically guaranteed up to a pre-defined threshold to avoid concentration on large loans. Stop-loss measures, such as a limit on total claims by each PFI, will minimize losses from under-performing PFIs. The portfolio approach will complement the existing individual-loan guarantee products offered by the SGF by providing risk sharing for loans not currently covered.

² Each category must be fully paid current before a firm can apply the financial assistance to a subsequent category.

³ A specific exclusion might apply for the payment of salaries to employees.

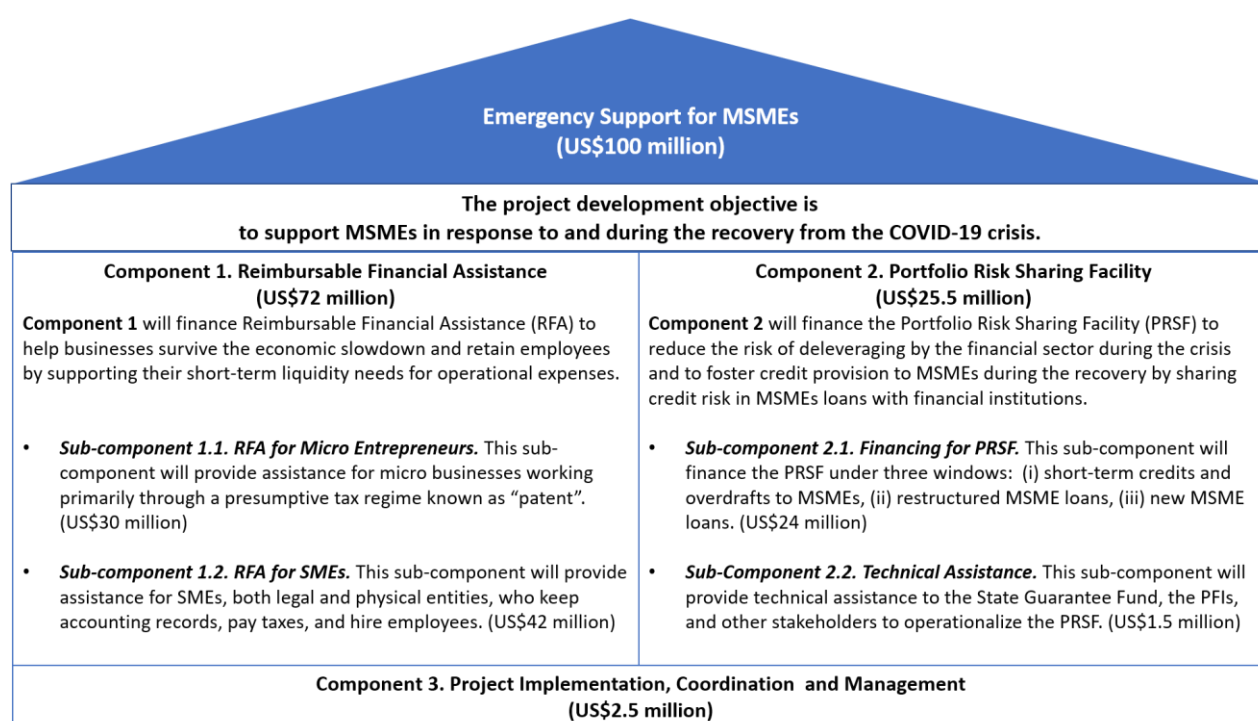
The PRSF financing will be complemented by technical assistance (TA) in support of the portfolio approach:

Sub-component 2.1: Financing for the PRSF. This component will provide funding for the PRSF under three windows: (i) Window 1: short-term credits and overdrafts to MSMEs; (ii) Window 2: restructured MSME loans that were in good standing prior to the COVID-19 crisis; and, (iii) Window 3: new MSME loans. Windows 1 and 2 aim to alleviate the risk of deleveraging by the financial sector during the crisis and may require a fee subsidy to be commercially viable; Window 3 is primarily aimed at supporting the post-COVID-19 crisis recovery. IFC is considering participating through a counter-guarantee to the PRSF on a second-loss basis with select PFIs.

Sub-Component 2.2: TA to the SGF, PFIs, NBKR and other stakeholders. The portfolio guarantee is a new concept in the Kyrgyz Republic. TA to the SGF, PFIs, NBKR and other stakeholders will help operationalize the PRSF. The TA will include, *inter alia*, the development of a PRSF Procedure Manual, the design of the legal agreements between the SGF and the PFIs, improvements in the SGF and PFIs' financial management and credit reporting procedures, an upgrade to the management information system of SGF, support to NBKR on appropriate regulations for the portfolio guarantee, and training for SGF and PFIs' staff.

Component 3 will finance overall project implementation, coordination and management. The Component will finance expenses for: (i) the incremental implementation costs for staff and experts in the Project Implementation Unit (PIU) at the Ministry of Finance (MoF) that will, *inter alia*, perform the fiduciary functions, ensure compliance with environmental and social safeguards, and conduct monitoring and evaluation of project activities; (ii) the incremental implementation costs for staff and experts in the Project Implementation Group (PIG) at the SGF that will manage the RFA and the PRSF, including the selection, monitoring and coordination with the SDAs (for the RFA) and the PFIs (for the PRSF); (iii) other operating costs for the PIU and the PIG related to project implementation such as office equipment, travel, communication, printing, translation and transportation, and awareness raising activities related to the RFA and the PRSF; and (iv) a commission to SDAs for the distribution of RFAs to beneficiaries, including the screening of RFA beneficiaries with a focus on gender and social coverage.

Figure 1. Project Overview



1.2 Purpose of the Stakeholder Engagement Plan

Government of the Kyrgyz Republic recognizes that the Emergency Support for Private and Financial Sector Project's stakeholder profile is quite diverse and heterogeneous and that their expectations and orientation as well as capacity to interface with the project are different. This differential necessitates systematic efforts viz., a Plan-Stakeholder Engagement Plan (SEP) – to enable identify elaborately diverse stakeholders and develop an approach for reaching each of the subgroups. In simpler terms, it provides an appropriate approach for

consultations and disclosure. These in turn are expected to create an atmosphere of understanding that actively involves project-affected people and other interested parties, reaching out to them in a timely manner, and that each subgroup is provided opportunities to voice their opinions and concerns. Overall, SEP serves the following purposes: i) identifying stakeholders and their challenges; (ii) planning engagement modalities viz., effective communication tools for consultations and disclosure; and (iii) proposing enabling platforms for influencing decisions; (iv) defining roles and responsibilities of different actors in implementing the Plan; and (v) setting the grievance redress mechanism (GRM).

1.3 Scope and Structure of the SEP

Scope of the SEP shall be as outlined in the World Bank's Environmental and Social Standard (ESS10). The engagement will be planned as an integral part of the project's environmental and social assessment and project design and implementation. The project will be implemented nationwide – covering all eight administrative provinces and forty districts. Assessments and stakeholder engagements have been done focusing around the following two project interventions:

- 1) Reimbursable Financial Assistance (RFA) to MSMEs;
- 2) Portfolio Risk Sharing Facility (PRSF) for MSME loans;

This document has ten chapters. Chapter One serves as an Introduction. It provides a brief information about the project and the context in which the SEP is being prepared. Chapter Two lists the regulatory framework in the Kyrgyz Republic which provides a legitimacy for SEP. A summary of the consultations held so far is presented in Chapter Three. Stakeholder Identification, Mapping and Analysis is elaborated in Chapter Four. Institutional analysis and impact assessments are presented in Chapters Five and Six. Stakeholder Engagement Plan is presented in Chapter Seven. Chapter Eight covers Implementation Arrangements for executing the SEP. Grievance Redressal Mechanism (GRM) follows in Chapter Nine. Monitoring, documentation and reporting procedures are presented in Chapter Ten.

2. ADMINISTRATIVE, POLICY AND REGULATORY FRAMEWORK

2.1 National Legal, Regulatory and Policy Framework

The key legislation for this project can be subdivided into two groups: a) Framework documents and strategic development programs; and b) Legislation directed on private and financial sector development support.

2.1.1 Relevant Framework and Strategic Documents

The adoption of the “*National Strategy for Sustainable Development of the Kyrgyz Republic for 2018-2040*” (NSSD 2040) marked a milestone for comprehensive and long-term government planning. It rests on programs and measures to digitalize the economy, to improve the business environment, to improve the effectiveness of public administration, and to create better opportunities for all in education and training.

Concept of Development of Guarantee Funds of the Kyrgyz Republic until 2020 was approved by the Resolution of the Government of the Kyrgyz Republic #325, 15 June 2016. It laid the ground for the development of guarantee funds to improve access of SMEs to financial resources. The main objective of the document is to expand the activity of guarantee funds throughout the country by creating a state-owned guarantee funds and new guarantee institutions in the regions to attract new capital investments.

Program to Increase the Financial Literacy of the Population of the Kyrgyz Republic for 2016–2020 was approved by Resolution of the Government of the Kyrgyz Republic # 319, 15 June 2016. It is aimed at increasing the financial literacy of population and promoting efficient personal monetary resources and financial instruments, which will contribute to increase deposit base of the banking system, to improved credit portfolio of financial institutions.

The Government of the Kyrgyz Republic has developed the *Action Plan of the Kyrgyz Government for 2020 to Restore and Support the Activities of Economic Sectors and Business Entities*, which includes a liquidity injection in the form of a soft loan program of at least US\$175 million. While liquidity support will allow banks to cushion shocks from the delayed loan repayment and continue to have liquidity for lending to the private sector, these measures alone are not sufficient to cope with the COVID-19 crisis as the financial institutions will still bear the credit risk and will thus be unwilling to lend to SMEs who are healthy before the crisis but have higher perceived credit risk during the crisis, reducing the impact of government support. To mitigate the impact of the crisis on SMEs, the Government has approved a first package of measures with a second package being finalized. The initial economic response plan included US\$15 million in measures including deferral of several tax obligations and limited price controls on essential food items. A second package of around US\$400 million is being finalized to address the economic and social impact through food security measures, liquidity support for banks to provide financing to SMEs, and other administrative actions.

2.1.2 National Laws and Regulations

Law on State Support of Small Business in the Kyrgyz Republic adopted in 2007 (amended 2017) determines general provisions on the state support and development of small business, establishes forms and methods of the state stimulation and regulation of activities of small business entities. Article 3 identifies small business entities as physical persons and commercial organizations/companies engaged in economic activity with amount of the threshold revenue provided in the Tax Code of the Kyrgyz Republic and with average number of workers not to exceed the set limits for small enterprises depending on the sector. Article 6 identifies the state support to small business in the form of infrastructure development; creation of preferential terms to use the state financial, material and information resources, scientific and technical developments/technologies; establishment of simplified registration and licensing procedures, and state statistical and accounting reporting procedures etc.

The Kyrgyz legislation establishes the ground for the operation of banks, microfinance organizations, and other financial institutions. Banking activities are regulated by the *Law of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic, Banks and Banking Activities”* (2016). Banking regulations are structured and optimized, control over commercial banks is strengthened, and consumer protection is improved in this new law. The Law

regulates the protection of financial consumers' rights. The Deposit Protection Agency under the Government, Department of Rights of Banking, and microfinance services consumers under the National Bank, State Service for Financial Market Regulation and Supervision, etc. are members of the financial consumer protection system. Activities of MFIs are regulated in accordance with the main Law on "Microfinance organizations" and a number of supplemented acts, which were adopted with the expansion of microfinance in the beginning of 2000s. These include *Law on Credit Unions* in 1999 and *Law on Microfinance Organizations* in 2002. According to the Law on Microfinance Organizations, the term "microcredit" only applies to a loan provided by microfinance organizations. Depending on their scope of activities, microfinance organizations can be registered as microfinance company, microcredit company, or microcredit agency. A microfinance company is a company licensed by the National Bank and has a right both to provide credit and to attract deposits. Microcredit companies and microcredit agencies have the right to provide credit only, and the difference between them is that a microcredit company has the right to make currency exchange operations and perform factoring and some other retail banking services. Microcredit agencies' operations are limited mostly only to providing loans.

Under the Law "On Microfinance Organizations in the Kyrgyz Republic," microcredit may be provided by three levels of microfinance institutions (MFIs):

- Level 1—Microcredit Agency (MCA): a noncommercial institution that has the right to provide loans and financial leasing (on the basis of a National Bank certificate).
- Level 2—Microcredit Company (MCC): a commercial institution that has the right to provide microloans, financial leasing, and factoring (on the basis of a National Bank certificate).
- Level 3—Microfinance Company (MFC): a commercial joint-stock company that has the right (on the basis of a National Bank license) to provide microloans, financial leasing, and factoring, and to accept time deposits.

The National Bank of the Kyrgyz Republic, as the regulatory and supervisory agency, regulates MFIs under the *Law on Microfinance Organizations* and has established special prudential and non-prudential requirements for MFIs. Prudential regulations (for MFCs only) include requirements for minimum paid-in authorized capital and minimum owner's equity; capital adequacy requirements; risk concentrations; liquidity requirements; limits on connected and insider lending; maximum amount of investments in other financial institutions; and ratio of deposits to net assets (to limit risk of nonrepayment of deposits).

Non-prudential regulations include registration and licensing requirements; qualifications of management; financial reporting; regulatory reporting; external auditing; and public disclosure of reports by microfinance institutions. As MFIs continue to grow, the National Bank's supervisory department will find it difficult to keep up with registering and issuing certificates for MFIs.

In accordance with the *Law on Credit Unions* (1999) a Credit Bureau, was established in 2003. Its main function is to manage a database of borrowers and their credit history. The Deposit Protection Agency was established in 2009. Participation in deposit protection system is mandatory for all resident and non-resident commercial banks. Banks' annual contribution to deposit protection system constitutes 0.2% of their deposit base.

In 2015 a new *Law on Credit Reporting* was adopted that paved the way for easy, effective sharing of credit information, which enables many to get credit, start a business, or expand to new markets. By adopting this Law, the Kyrgyz Republic recognized the significant role the credit bureau plays in giving lenders a holistic view of a borrower's debt exposure, providing a more accurate assessment of creditworthiness to reduce the risk of delinquency crises and over-indebtedness. Under this Law, the NBKR exercises greater oversight over the credit bureau and help prevent banks from issuing multiple loans to the same person and keep consumers from over-borrowing.

In order to support SMEs, the *Law on "Guarantee Funds in the Kyrgyz Republic"* was signed in 2013. Guarantee funds act as mediators between borrowers and commercial banks in order to provide guarantees when a borrower does not have sufficient collateral. As of 2016, six guarantee funds were operated in four regions. In 2017, the government established an open joint stock company "Guarantee Fund" with capital formed from the budget (25%) and the Asian Development Bank (75%). The Fund has representatives in every region, working with seven commercial banks and the Russian Kyrgyz Development Fund. The Law sets the maximum allowable interest at 15 percent above the average weighted nominal rate determined by NBKR monthly.

The *Law of the Kyrgyz Republic “On Collateral”* (2016) regulates collateral issues, establishes requirements for the types of collateral, the procedure for pledging property, foreclosure on the subject of pledge and its implementation, as well as protection against encroachments on the rights to pledged property, however it does not solve problems regarding the effective seizure of collateral.

Chapter 3 of the Civil Code of the Kyrgyz Republic (1996, last amended in 2016) provides regulations associated with a private loan. The requirements are established for the form of the agreement, the procedure for establishing interest (the interest rate is set by agreement of the parties), and the consequences of breach of the contract by the borrower, the contestation of the loan agreement, and the requirements for ensuring the fulfillment of the borrower's obligations.

Bankruptcy (Insolvency) Law of the Kyrgyz Republic (1997, amended in 2019) regulates the procedures for legal entity or individual entrepreneur bankruptcy: it determines the grounds for recognition (declaration) of an insolvent debtor as bankrupt (insolvent) and regulates the order of procedures applied in the process of bankruptcy. It is aimed at protecting debtors who have no capacity to meet their liabilities not related to entrepreneurial activity.

According to the *Law of the Kyrgyz Republic “On Access to Information Owned by the State and Self-Governing Bodies”* (2006, amended in 2017), each state agency and self-governing body is obliged to provide relevant information to physical and legal entities citizens within a period of two weeks (Article 10).

According to the *Law of the Kyrgyz Republic “On Guarantees and Free Access to Information”* (1997, amended in 2017), each physical and legal entity has the right to free access to information. Article 6 requires all organizations, enterprises, associations to secure access to information related to the applicant's rights and interests. Article 12 regulates the right to file complaints.

Regulation # 52/4 of minimal requirements for credit risk management in commercial banks and other finance and credit institutions licensed by NBKR (2010) requires the banks/MFIs to provide informational services for clients and a book of complaints and suggestions.

Law on Grievances (2007, amended in 2016) secures that the grievances from the Kyrgyz Republic citizens should be registered, given due consideration, and addressed in an equitable, timely and accountable manner (article 2 and 4). Every citizen has the right to apply personally or through his representative to state authorities, local authorities and their officials, who are obliged to provide a reasoned response within the time period established by law (article 4). The grievance registered with the state agency or the local government should be processed within 14 working days, it can be prolonged exceptionally for no longer than 30 days (article 8).

The legal and regulatory framework of the Kyrgyz Republic provide an adequate state support, consumer responsiveness and public accountability are well enshrined in the legal framework at different levels.

2.2 World Bank Environmental and Social Standards

The main World Bank Environmental and Social Standards (ESS) for Stakeholder Engagement is ESS10: Stakeholder Engagement and Information Disclosure recognizes the importance of open and transparent engagement between the MoF and project stakeholders as an essential element of good international practice. Effective stakeholder engagement can improve the environmental and social sustainability of projects, enhance project acceptance, and make a significant contribution to successful project design and implementation.

Objectives of the ESS10:

- To establish a systematic approach to stakeholder engagement that will help Borrowers identify stakeholders and build and maintain a constructive relationship with them, in particular project-affected parties;
- To assess the level of stakeholder interest and support for the project and to enable stakeholders' views to be taken into account in project design and environmental and social performance;
- To promote and provide means for effective and inclusive engagement with project-affected parties throughout the project life cycle on issues that could potentially affect them;

- To ensure that appropriate project information on environmental and social risks and impacts is disclosed to stakeholders in a timely, understandable, accessible and appropriate manner and format;
- To provide project-affected parties with accessible and inclusive means to raise issues and grievances and allow implementing agencies to respond to and manage such grievances.

ESS 10 applies to all projects supported by the Bank through Investment Project Financing. The MoF/PIU will engage with stakeholders as an integral part of the project's environmental and social assessment and project design and implementation, as outlined in ESS1. For the purpose of this ESS, "stakeholder" refers to individuals or groups who:

- (a) are affected or likely to be affected by the project (Project-Affected Parties); and
- (b) may have an interest in the project (Other Interested Parties).

MoF/PIU will engage with stakeholders throughout the project cycle, commencing such engagement as early as possible in the project development process and in a timeframe that enables meaningful consultations with stakeholders on project design. The nature, scope and frequency of stakeholder engagement will be proportionate to the nature and scale of the project and its potential risks and impacts. Implementing agencies will engage in meaningful consultations with all stakeholders. Implementing agencies will provide stakeholders 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. The stakeholder engagement process will involve the following, as set out in further detail in this ESS: a) stakeholder identification and analysis; b) planning how the engagement with stakeholders will take place; c) disclosure of information; d) consultation with stakeholders; e) addressing and responding to grievances; and f) reporting to stakeholders.

The MoF/PIU will maintain and disclose as part of the environmental and social assessment, a documented record of stakeholder engagement, including a description of the stakeholders consulted, a summary of the feedback received and a brief explanation of how the feedback was taken into account, or the reasons why it was not.

In the background of these regulatory requirements, the SEP is prepared.

3. BRIEF SUMMARY OF PREVIOUS STAKEHOLDER ENGAGEMENT ACTIVITIES

3.1 Key stakeholder meetings and consultations

Details about the meetings and consultations are as presented below:

Table 3.1: Stakeholder Consultations

Stakeholders	Date	Methods	Key points raised
Project Implementation Unit under the Ministry of Finance, MoF leadership	April-May, 2020	Webex discussions	Project components, implementation arrangements; GRM mechanisms, mapping of stakeholders.
State Guarantee Fund	April 2020 May, 2020	Phone and webex interviews with SGF senior management and key operations officers	<ul style="list-style-type: none"> Assessment of the Institutional Capacity for the State Guarantee Fund Current GRM practices, institutional challenges faced, expectations from the project
Local experts, independent analysts, MFIs representatives	May, 2020	Expert interviews by phone	Problems faced by the financial institutions and other interested stakeholders
Development Partners, TA projects aimed at addressing the economic impact of the crisis, including DfID, AKDN, the European Union, SDC, GIZ, USAID, UNDP, EBRD, KfW, and IFC.	April, 2020	Existing donor coordination mechanism and bi-lateral consultations through webex	<ul style="list-style-type: none"> Sectoral interventions planned by the partners, areas of synergies, complementarities, or potential parallel financing; Mapping of relevant financial institutions, targeting and eligibility criteria for beneficiaries; The importance of donor coordination
15 representatives of diverse range of micro, small and medium enterprises	April-May, 2020	Phone consultations	Challenges faced by the MSMEs during pandemic situation and expectations from the project activities
Aga Khan Foundation office in Bishkek	May, 2020	Phone interviews	Synergies between AKF and this project
OSCE-funded Entrepreneurship Support Center	April, 2020	Phone interview Desk review	Discussion of survey results on SME Challenges during Covid-19 pandemic situation. Survey had been conducted with financial support provided by Organization for Security and Cooperation in Europe.
Credit Bureau “Ishenim”	April, 2020	Phone Interviews with leadership	Problems faced by their clients, institutional challenges of the Bureau, their expectations from the project
CSOs, and general public	May, 2020	MoF website disclosure	Draft SEP discussions and comments

3.2 Key issues emanating from these consultations

The issues below manifest throughout the preparation of the SEP.

- SMEs are more vulnerable to the COVID-19 shocks than large firms due to a lack of scale and funding to cushion the impact of the economic shock, a lack of resources to adjust production, and exposure to the most severely impacted sectors such as services (including a significant share in tourism), light manufacturing, and wholesale and retail trade. Stakeholder consultations suggests that while many SMEs could stay in ‘hibernation mode’ using measures such as furloughing employees, many SMEs will not be able to cover operational expenses in the medium-term and would be forced to close if the crisis persists.
- 89% of SME respondents⁴ noted the negative impact on their businesses due to the Covid-19 related restrictions enforced by the Government;
- 80% of SME surveyed recorded a decrease in average monthly revenues from 75% to a total decline in revenues (100%);
- Almost half of SME employers (48% of respondents) have sent their employees on leave without pay, as they cannot cover their operational costs and pay salaries;
- MSMEs reported on the decline in willingness and ability to spend among their customers, which is related to sharp drop in labour remittances;
- SMEs face export restrictions and decline in tourists, as well as value chain interruptions;
- The main three measures entrepreneurs expect from the state are the provision of tax holidays, the abolition of the emergency regime and financial support through offering interest-free loans;
- With a private sector in crisis, the financial institutions are less willing to extend new loans or renew existing credits to firms given the increased credit risk. Financial institutions and the risk-averse banks will need incentives to lend to SMEs and avoid a sudden dry-up of financing. They will require the institutional capacity building in implementing the portfolio guarantee, which would improve firms’ access to finance in the medium to long term.
- MFIs facing problems with increased debt rates (7-8%) on non-paid loans and increased requests on restructuring of loan repayments;
- In 2019, the National Bank forbade commercial banks to levy fines for the non-payment of loans and recommended that customers be granted a delay of at least three months. These measures have already affected 90,000 borrowers in restructured loans or 33 percent of the total credit portfolio. Without liquidity support to the private sector, part of these restructured loans is expected to become non-performing.
- The project team has worked through the donor coordination mechanism and consulted bi-laterally with other development partners to ensure activities are aligned. In particular, the project will complement: (i) sectoral capacity building activities of above-mentioned development partners by improving access to finance for firms; (ii) the financial sector financing plans of EBRD, KfW, and IFC through the portfolio guarantee instrument; and (iii) financial sector TA work financed by SECO on payment systems and secured transactions.
- Consultations with stakeholders highlight the importance of transparent governance in project implementation, both in selection and eligibility criteria for beneficiaries as well as in the selection of implementing partners. The feedback was not to target on specific sectors, as stakeholders raised concerns on the ability to verify the primary sector of SME activities to provide financial emergency support; and proposed to work with a wide range of financial institutions including both banks and MFIs to ensure all beneficiaries have access to project instruments.
- The largest client will be the State Guarantee Fund (SGF), an experienced agency that cooperates with several IFIs including an existing World Bank Project in the dairy sector. The primary risk is the use of new instruments proposed to respond to the COVID-19 crisis and the SGF requires capacity building in introducing these instruments.
- Every branch of SGF has its own GRM procedures, and the complaints are rarely escalated to the national level, as they are resolved regionally. SGF clients sometimes submit their grievances and claims to the SGF headquarters directly in writing or orally by phone.
- The Ministry of Finance PIU has established GRM procedures being applied under the WB-funded projects, which will be adapted to this project.

4. STAKEHOLDER MAPPING, SEGMENTIZATION AND ANALYSIS

⁴ Survey among 1000 entrepreneurs conducted by the OSCE-funded Entrepreneurship Support Center, April 2020

4.1 Stakeholder Mapping and Analysis

ESS10 recognizes two broad categories of stakeholders; one, “Project-affected parties” and “Other Interested parties”. The former includes “those likely to be affected by the project because of actual impacts or potential risks to their physical environment, health, security, cultural practices, well-being, or livelihoods. These stakeholders may include individuals or groups, including local communities”. They are the individuals or households most likely to observe changes from environmental and social impacts of the project. Project affected parties are described in the table below.

Table 4.1. Description of Project-Affected Parties

Name of stakeholder	Description	Issues	Significance level
Individual Entrepreneurs (IEs) with certificates (hired labor)	IEs are registered entrepreneurs, who have certificates for commercial activities. They employ usually 3-5 people. They operate in all sectors, but are concentrated in the services, particularly wholesale and retail trade, and hotels and restaurants. There are 30,609 registered IEs employing 107,000 people (National Statistical Committee, 2018).	<ul style="list-style-type: none"> • Decreased demand for their goods and services; • Cannot cover their operational costs and pay salaries; • Have demand for express and no interest loans; • Face a substantial number of barriers in getting sufficient finance due to as follows: <ul style="list-style-type: none"> ○ Lack financial knowledge and financial resource management skills; ○ Do not meet the requirements/no collaterals to access long-term loans; ○ Complicated loan rules generate corruption. 	High
IEs with patents (no hired labour)	IEs are registered entrepreneurs, who have labour patents for individual commercial activities. They are self-employed. There are 371,000 registered IEs employing 371,000 people (National Statistical Committee, 2018).	<ul style="list-style-type: none"> • Face decreased demand for their goods and services; • Lack financial knowledge and business planning skills; • Consistently high interest on microloans and lack of alternatives • Do not have collaterals to apply to loans. 	High
Small Enterprises and their employee workers	<p>Definition of enterprises is sector dependent. Small enterprises in industry, construction and agriculture are defined as enterprises employing fewer than 50 people, and in trade and services – fewer than 15 people.</p> <p>There are 14,520 registered small enterprises employing 57,000 people (National Statistical Committee, 2018).</p>	<ul style="list-style-type: none"> • Unable to repay loans; • Pandemic situation caused massive closure of businesses; • Face a substantial number of barriers in getting sufficient finance due to the lack of collaterals; • No access to long-term loans; • Inaccurate consultations received while processing the loans. 	High

Medium Enterprises and their employee workers	<p>Medium enterprises in industry, construction and agriculture are defined as enterprises employing between 51-200 people, and in trade and services – between 16-50 people. Medium firms work across all sectors, with greater concentrations in industry, communications, and transportation. There are 769 registered medium enterprises employing 34,000 people (National Statistical Committee, 2018).</p>	<ul style="list-style-type: none"> • Unable to repay loans; • Pandemic situation caused massive closure of businesses. • Face liquidity constraints: 50% of them have no collaterals to access financing, particularly long-term loans. • The shortage of skilled and educated labour, emigration constrain productivity. • Face difficulties in complying with international standards limit the Kyrgyz exports 	High
Female Entrepreneurs and their employee workers	<p>Women-led business enterprises are smaller and are growing more slowly, because women have lower start-up capitals, and they spend less time for business, as they have to take care of their children and maintain households. They have less time for self-development and education. Studies show women are more law-abiding, focused on sustainable business strategies and conduct their business more responsibly and cautiously.</p> <p>Women are often restricted to micro and small businesses, taking up smaller loans than men. A 2016 study on MFIs found that 86% of female clients borrow less than \$1,100 and only 2% borrow over \$2,000. Women are also more likely to borrow as a group, as they are often not equipped with the information and knowledge needed to set up MSMEs. Enterprise Survey data shows that only 18.2 percent of female headed SMEs have a bank loan or line of credit compared to 29.6 for male headed SMEs.</p> <p>In Kyrgyzstan, the government has not yet focused on female entrepreneurship and this issue is mainly solved by international partners. The State Guarantee Fund's provides 40% of the money to women entrepreneurs. The Russian-Kyrgyz Development Fund's interest rate is advantageous, about 3-4%, but the Fund provides loans from \$200 thousand. Smaller amounts are issued through partner banks which raises interests significantly. Women</p>	<ul style="list-style-type: none"> • Limited access to financial services and investments for women led MSMEs in rural and mountainous areas; • Lack of financial, labour and time resources lead women entrepreneurs to the fact that they cannot qualify for large scale funding, and their own funds are not enough to expand staff and increase production volumes; • Insufficient financial knowledge, skills and business experience; • Women are more limited in access to loans as they have limited access to household assets -real estate and land; • Complicated loan rules generate corruption; • Gender-based discrimination in business relations, rooted in cultural traditions and stereotypes. • Female entrepreneurs in rural areas are interested in learning how to use mobile phones for their business needs; • Expectation from the project to include the gender sensitive eligibility criteria for grants and loans. 	High

	entrepreneurs proposed to reduce the Fund's threshold for women to \$50,000, so that they could borrow directly from the Fund.		
MSMEs owned by disadvantage groups, including physically disabled entrepreneurs and their employee workers	<p>The number of disabled headed enterprises is limited in the country. The social enterprises for people with disabilities, who are less competitive in the open labour market, is one of the effective tools for contributing to their employment opportunities. Social enterprises offer permanent employment or provide vocational training and social rehabilitation. In return, they are provided with benefits that may include exemption from the profit tax and reduced single social tax. The tax benefits provided to these enterprises are very important in the promotion of their activities.</p> <p>There are over 30 social enterprises supported by the Association of Social Entrepreneurs.</p>	<ul style="list-style-type: none"> • Lack of information and communications; • No special micro-credit programs available for entrepreneurs with physical disabilities; • Expectation from the project to utilize the inclusive eligibility criteria for grants and loans, expanding to social enterprises. 	High
Entrepreneurs in remote rural areas and mountainous regions and their employee workers	<p>Majority of MSMEs are located in urban areas and regional centers, while their numbers are limited in rural and mountainous areas due to high poverty rates;</p> <p>No statistical data was available by the regional breakdown.</p>	<ul style="list-style-type: none"> • Face decreased demand for their goods and services; • Interrupted supply chains; • Lack of financial knowledge and business planning skills; • Consistently high interests on microloans and lack of alternatives, as commercial banks have no branches in rural and mountainous areas; • The loans offered by MFIs in rural areas are short-term; • Insufficient financial knowledge, skills and business experience; • Limited ICT channels and skills; • Language barriers, the preferred communication language is Kyrgyz. 	High
MSMEs Employees	Most vulnerable sections as there could be lay off and reduction in incomes disrupting livelihoods	<ul style="list-style-type: none"> • Assistance to the employers should in turn ensure support to the employees. 	High
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The term “Other interested parties” (OIPs) refers to “individuals, groups, or organizations with an interest in the project, which may be because of the project location, its characteristics, its impacts, or matters related to public interest. For example, these parties may include regulators, government officials, the private sector, the scientific community, academics, unions, women’s organizations, other civil society organizations, and cultural groups”. Other key interested stakeholders of this project are described in the Table below.

Table 4.2. Description of Other Interested Parties

Name of stakeholder	Level	Description	Key role in financial sector	Significance level
Ministry of Finance (MoF) of the Kyrgyz Republic /Project Implementation Unit (PIU)	National	The Ministry of Finance is a state body engaged in elaboration of state policy in the budgetary, tax and customs and tariff spheres, as well as in the sphere of financial market, insurance, accounting and financial statements, financing of state organizations and state funded organizations, pricing on goods and services of the enterprises - monopolists, ensuring achievement of strategic macroeconomic indicators and parameters of the State budget of the Kyrgyz Republic. MoF PIU has institutional capacity to perform fiduciary, safeguards, and M&E functions for the entire project.	MoF established a PIU to manage the foreign investment portfolio. MoF PIU portfolio currently has three active WB-funded projects: <ul style="list-style-type: none"> • IDPIP- implementation is going on jointly with OJSC “Guarantee Fund” The date of closing is December 31, 2020 • KAREP-PIU implements only fiduciary part. The date of closing is February 28, 2022 • CB PFM 2- The date of closing is August 31, 2020 	High
OJSC “State Guarantee Fund” (SGF)	National and Regional	Established in 2016, SGF provides access for small and medium-sized enterprises (SMEs) to financial resources and to develop a guarantee system and infrastructure support based on loan agreements, financial lease agreements, agreements on providing the bank guarantee. It has 6 regional branches. In 2019, SGF was selected as the main partner of the WB-funded project “Integrated Dairy Productivity Improvement” for financing farmers in Issyk-Kul region for the purchase of dairy cows. The SGF shares its financial statements on a monthly basis on its website.	SGF with its 6 regional branches serves as a liaison between the commercial banks and the NBKR and provides collaterals for SMEs to access financial resources. The SGF has 12 partner-banks, which represent the majority of banking sector assets. The share of assets of partner banks in the banking sector is 83%, the share of the loan portfolio is 84 %, the share of net profit is 112%, the share of branch network is 79%. However, the SGF has not yet included microfinance institutions (MFIs) as partners.	High
Microfinance institutions (MFIs)	National, regional, rural	There are four types of MFIs: 1) Microcredit agency (MCA), a noncommercial organization;	The microfinance sector provides microcredit services to more than 102,000 MSMEs. Individual loans range from US\$450 to \$1,300,	High

		2) Microcredit company (MCC), a commercial organization 3) Microfinance company (MFC); 4) Commercial microfinance bank.	and solidarity loans to members of mutual assistance groups range from US\$50 to \$200, depending on the size of the organization.	
Association of Microfinance Organizations	National	The mission of the Association is to develop and support enabling environment, strengthen capacity for microfinance sector in Kyrgyzstan	It offers financial and technical assistance to its members	Moderate
Commercial Banks of the Kyrgyz Republic	National and regional	As of 2016, assets of commercial banks constitute 39% of the GDP; the number of banks is 25, with two of them being state-owned. Five major banks hold 55% of the banking sector assets and 49% of the credit portfolio.	Commercial banks are not viewed as locomotives of the real sector's development, as banks follow the most developed sectors in order to gain the highest profit and maximal clients share.	Moderate
Mass media; NGOs; networks; MFI and business associations	National, regional, local	Promote public awareness, transparency and accountability; Create and maintain the enabling environment and enhancing the capacity of businesses and MFIs.	Public awareness, financial literacy enhancement, capacity building, and advocacy support to MFIs	Moderate

The following PFIs and MSMEs are likely to face exclusion:

- Size/ scale of operations – Individual and Micro (poorer) (relative to larger and rich entities) enterprises in the informal sector may find it difficult to fulfil all the formalities project would demand;
- Remote location - MSMEs in rural and mountainous as well as in the country's border areas may have difficulty in accessing the 'project' relative to those in urban areas;
- Young startups (vs established ones) entrepreneurs who have set up the business recently and are struggling to break-even;
- Women entrepreneurs may find it difficult to combat the Covid situation and may stay away from entrepreneurial activities;
- Employees of the above MSMEs who face higher risk of job loss;
- Small and Micro Financial Institutions in the rural and mountainous areas, which may face language barriers to access the project information; and
- Financial institutions in rural and mountainous areas.

4.2 Challenges

Main challenges of Other Parties engaged in private and financial sectors development, faced in provision of their services are described in the Table below.

Table 4.3. Challenges Faced by Other Parties Engaged in Private and Financial Sectors Development.

Institute	Challenges	Notes
Ministry of Finance/PIU	The MoF/PIU has weak institutional capacity in environment and social risk management, especially the new WB Environment and Social Framework (ESF). Further, it will be a challenge, demanding substantial efforts, for the PIU to ensure adoption and adherence to the ESS by the Financial Intermediaries.	Given this situation, it will be critical for the PIU to deploy competent environment/ social specialists, preferably with the MF experience, to ensure adequate capacity.
OJSC “State Guarantees Fund”	<ul style="list-style-type: none"> The SGF's database system is currently based on data created, updated and stored in Excel format tables, including financial statements. At the same time, increasing the volume and types of operations at the SGF requires the introduction of a modern automated information system (AIS). Has experience with individual guarantees, but limited experience in portfolio risk guarantees, it needs capacity building to introduce and operate a new risk management facility 	<p>Currently, the SGF is in the process of developing the term of reference and architecture of the new AIS, which is planned to be implemented in the 1st half of 2021.</p> <p>Technical assistance will be provided by the Project to manage the Portfolio Risk Guarantee Facility.</p>
MFIs	<ul style="list-style-type: none"> Over indebtedness of borrowers and lack of a clear strategy with MCCs to practice and monitor paralleled credits; Lack of capital and absence of free money resources affect the interest rates; Face liquidity constraints: massive layoffs, poor risk management; Operating costs of MFIs are quite high (on average 20% of the credit portfolio); Consequently, the interest rate on microcredits is higher by an average of 10%; MFIs do not offer long-term loans; Not all of them have branches, networks in all 40 districts of the country; They sometimes practice inaccurate consulting while processing the loans, whereby all details of loan terms and liabilities are not thoroughly explained to clients. 	According to Kyrgyz laws, MFIs may perform only a limited number of credit activities. Only microfinance companies and credit unions are allowed attract deposits and to do so, they are required to obtain a license. Large microfinance companies with substantial number of borrowers tend to transform to banks in order to have access to a wider range of financing sources. Experts believe that as of today, this tendency will slow down, because there are only a few microfinance companies left that are able to comply with the National Bank licensing requirements.
Commercial banks	<ul style="list-style-type: none"> There is widespread public wariness of the banking system, due to repeated bankruptcies of local banks. Nonpayment of soft loans by some of the debtors are often challenging. It is still difficult for the banks to compete with MFIs in terms of simplicity of procedures, paperwork, collateral-free loans, and accessibility of credit in remote areas. 	Provision of soft loans requires availability of guarantor. However, not any person can be a guarantor, only those with fixed income, mainly from state-owned enterprises. In this view, too complex requirements for issuance of soft credits affect the number of eligible SMEs.

	<ul style="list-style-type: none"> • Banks are unwilling to extend finances due to credit risks despite of available liquidity • Banks have their own Environmental and Social Management Systems, which need to be revised to meet the requirements of the WB ESF 	
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5. IMPACT ASSESSMENT AND RISK MANAGEMENT

The COVID-19 will create both demand and supply shocks to the MSMEs. While the magnitude and duration of the COVID-19 shocks remain largely uncertain, the economic model made assumptions based on stakeholder consultation. In the economic model, during the period of COVID-19 shock, firms in different size groups will be subject to differentiated shocks to their revenue. In particular, micro and small firms are more adversely impacted than medium firms due to their lack of resources to adjust production and the fact that many micro and small firms are in the service sector, which are hit hard by the COVID-19 shock. During the COVID-19 crisis, the firms would also experience the decline in operational expenses such as energy and utilities (Table 5.1).

Table 5.1 Share of Firms to be Impacted

	Individual entrepreneurs	Small firms	Medium firms
Decline in revenue caused by demand shock during covid-19 shocks	40%	35%	30%
Decline in revenue caused by supply disruptions during covid-19 shocks	30%	25%	20%
Decline in production cost during covid-19	20%	15%	10%
Share of firm value destroyed by bankruptcy	40%	50%	60%

Source: Economic Analysis of the Team, May 2020

In the baseline case, the COVID-19 shock is assumed to last for six months, or up to August 2020. Firms within each size group will be heterogeneous in their cash flow to cover their operational expenses. Within each firm size group, firms will have between 4 to 52 weeks of free cash flow to cover operational expenses, and the distribution of cash flow is assumed to follow a uniform distribution across firms within the same size group. Notice that this assumption on firms' cash flow is conservative and will likely underestimate the impact of project support – stakeholder consultation suggests that while most firms can stay in business for a few months, a large share of firms will need support for operational expenses in the summer of 2020 to stay in business. If a firm runs out of free cash flow, the firm will need to close and as a result part of the value-addition of the firm will be lost. A larger share of the firm value will be lost during business closure for larger firms, since larger firms have more valuable relationships with employees, customers, suppliers, and creditors that are more costly to build.

The estimated scale of project support through the reimbursable financial assistance (RFA) under Component 1 is in Table 1. The RFA amount will depend on firm size. The table below shows that the Component 1 will be able to cover a wide range of MSMEs including individual entrepreneurs with hired labor, small firms and medium firms across all sectors subject to meeting eligibility criteria. The RFA amount to SMEs is also significant in a country with GDP per capita at US\$1,281 in 2018, providing a substantial support to SMEs' operational expenses during the crisis.

Table 5.2 Estimated Scale of the Guarantee Scheme (Component 2)

	Individual Entrepreneurs	Small Firms	Medium Firms
Number of Firms	30,609	14,520	769
Share of Firms with Access to Finance	10%	17%	35%
Number of Firms with Access to Finance	3,060	2,470	270

Guarantee Threshold: based on Median Size of Firms' Total Outstanding Balance of Loans and Lines of Credit (US\$)	\$4,000	\$15,000	\$35,000
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Key stakeholder engagement issues relate to: (1) exclusion/ inclusion – providing an opportunity to all eligible PFIs to participate and derive benefits from the projects which would in turn ensure that most needed MSMEs do receive assistance and same time, avoid covering the other non-deserving MSMEs; (2) sensitizing the participating FIs to adopt and adhere to the ESS stipulations; and (3) Information, Education and Communication (IEC) campaign to accomplish effective outreach so that all potential beneficiaries are fully aware of the project benefits and how to access them, and that all the stakeholders share a common understanding about the project. The drivers of exclusion is likely to be based on: (a) size/ scale of operations -- smaller and poorer MSMEs (relative to larger and rich entities) may find it difficult to fulfil all the formalities project would demand; (b) geographical location - MSMEs in rural and mountainous areas may have difficulty in accessing the 'project' relative to those in urban areas; (c) young and new startups (vs established ones) entrepreneurs who have set up the business recently and are struggling to break-even; and (d) gender- women entrepreneurs may find it difficult to combat the Covid situation and may stay away from entrepreneurial activities. Exclusion/ Inclusion errors can be contained by drafting carefully the rules of the participation viz., drafting the eligibility criteria for participation by: one, FPIs; and other, MSMEs. Capacity support and capacity building will help sensitizing the FIs. Finally, an appropriate Stakeholder Engagement Plan (SEP) will help in accomplishing effective outreach. All these will be crafted as a part of the overall project designing and hence risk is rated Moderate.

Impact assessment and risk management results are summarized in the Table below:

Table 5.3 Impact Assessment and Risk Management

No	Stakeholders	Positive Impacts	Negative Impacts	Risk and remarks	Mitigatory Measures
1	Affected parties	<ul style="list-style-type: none"> - Access to 4-year reimbursable financial assistance; - MSMEs survived and recovered from COVID-19 crisis; - Financial institutions keep providing credits. 	Possible debt burden	<p>Exclusion risk – ensuring that most needed MSMEs do receive assistance.</p> <p>Poorly informed MSMEs on RFA, especially in rural and mountainous areas, which could be excluded also due to language barriers.</p> <p>Low digital skills among of MSMEs may slow down the online services.</p> <p>Risk that employees of MSMEs from vulnerable/ excluded groups lose jobs first before workers from mainstream groups are still on payroll.</p> <p>Currently risks are moderate.</p>	<ul style="list-style-type: none"> - Nationwide public awareness campaign in two languages (Russian and Kyrgyz) by the MoF/PIU supported by the PFIs. - Technical assistance to SDAs and PFIs to install and apply client-oriented new grant and credit products; - Environmental and Social Management Systems (ESMSs) prepared and implemented by the PFIs. - Reimbursable grants will support operational costs, primarily to retain employees,

					including the vulnerable groups.
2	Other interested parties	<ul style="list-style-type: none"> - Surplus funds for emergency support to private and financial sector - Strengthened microfinancing and guarantee institutions - Enhanced financial and payment infrastructure 	Increased workload at the MFIs and SGF branches	<p>PFI's have limited capacity to adhere with the ESS10 and ESS9 requirements.</p> <p>Currently risk is moderate.</p>	<ul style="list-style-type: none"> - Build capacity on communications, public outreach and GRM - Build capacity to apply the ESMS instrument at financial institutions

6. STAKEHOLDER ENGAGEMENT PLAN

6.1 Planned stakeholder engagement activities

The project interventions are countrywide; therefore, the project team needs to be strategic in planning stakeholder activities. The project stakeholder engagement activities need to be streamed horizontally and vertically (Figure 6.1). The horizontal stream implies an engagement with stakeholders on a national level. Activities on the horizontal level are assumed to improve awareness and coordination of efforts in the financial sector of the country. Whereas, vertical stream implies the application of cascading mode which will allow the project to establish the communication with project-affected parties. Furthermore, the cascading approach will be applicable for capacity building at each project engagement level (national and district levels). Stakeholder engagement activities need to provide specific stakeholder groups with relevant information and opportunities to voice their views on topics that matter to them. The table below presents the stakeholder engagement activities envisaged under the project.

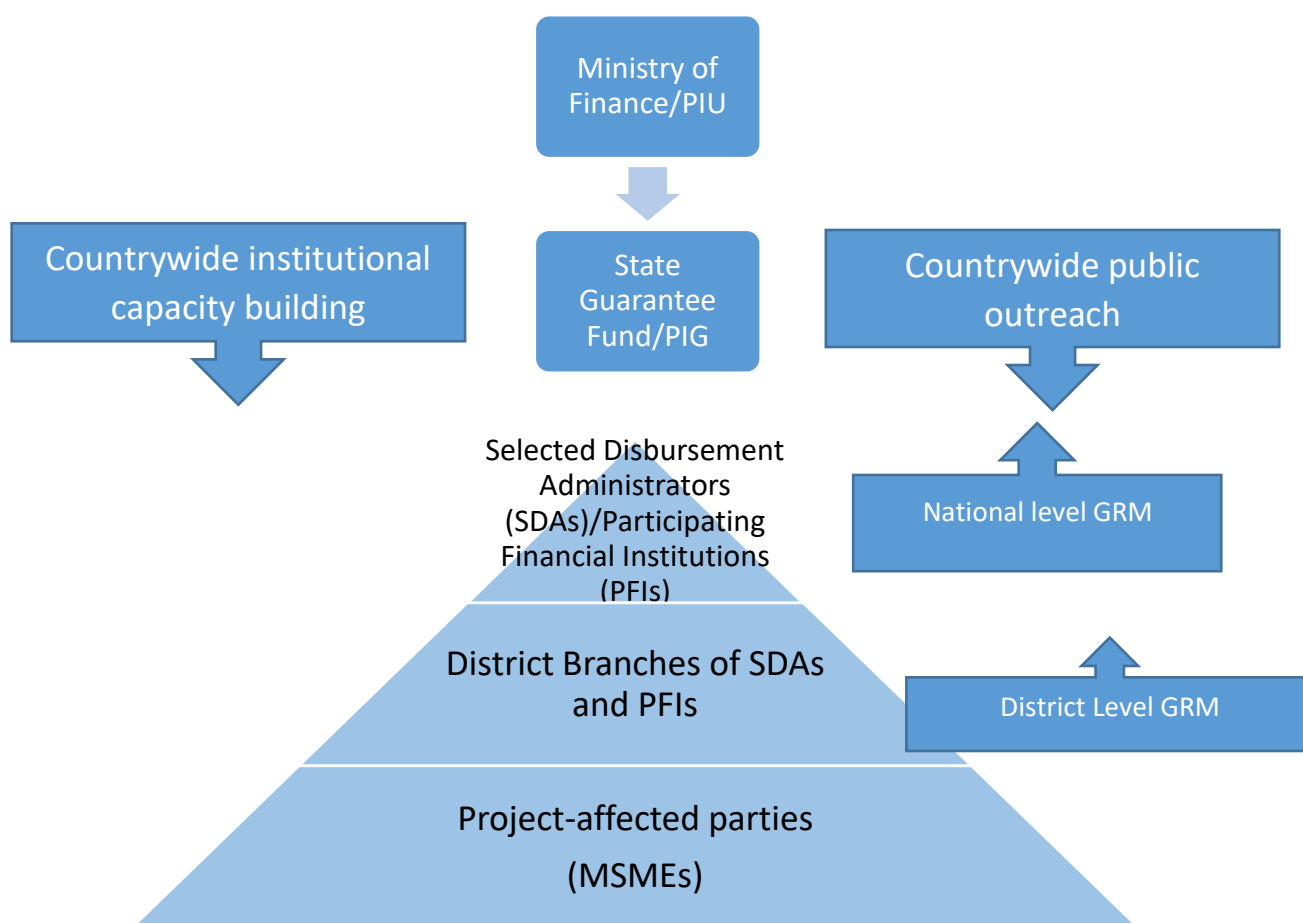


Figure 6.1. Schematic visualization of stakeholder engagement process.

Table 6.1. Planned Stakeholder Engagement Activities during Implementation —Steered by PIU

Subgroup	With whom	Channels of Engagement	Venue	Frequency	Information to disclose / consult	Purpose
Ministry of Finance (MoF)/PIU	Other stakeholders	Official internal and external communications	—	Regularly	Project progress, budget and financing.	Share project implementation performance/ status, reviews, clearance and seeking support.
	MoF	Written requests via official letters & emails	Virtual, visits, official meetings	As needed	Progress reports, official requests, and letters.	Keep informed the Financial Guarantee of the GoKR.
	PAPs, wide public	Online awareness	MoF and SGF websites	Monthly	National awareness campaign on project launch, activities planned and completed, eligibility criteria, how to access project benefit, GRM, etc for MSMEs.	Raise wide public awareness about the project activities, to disseminate the info among the wide range of MSMEs
	Development partners and international organizations of mutual interests.	Donor coordination meetings, website updates, bilateral consultations	Internal or external event venues	Quarterly, monthly, on need basis	Sharing of experiences and complementing donors' interventions	Build synergies, to avoid duplications, to compliment donors' TA projects
OJSC “State Guarantee Fund”	Other stakeholders	Official internal and external communications	—	Regularly	Monitoring, progress reports, face-to-face meetings, virtual and off-line.	Share information, reviews, clearance and seeking support.
Project Implementation Group at SGF	All stakeholders	Public/community meetings, seminars, face-to-face meetings with all project stakeholders.	Internal or external event venues	Annual		Keep informed about the project achievements.
	Participating Financial Institutions	Monitoring reports, face-to-face meetings, capacity building workshops with regional departments, website updates, bilateral consultations.	Meeting halls of SGF or PFIs	Quarterly	Operational meetings; Capacity building workshops; ESMS preparation and implementation guidance note	Implement the project components and comply with ESF requirements.

	All stakeholders	The website, telephone, email, social media, leaflets, ads, posters, brochures, hand-outs	PIG office	Regularly	GRM	Ensure beneficiaries are informed about the project level GRM.
	Press and media; NGOs; business organizations; MFI and business associations	Press releases, public meetings, mass/social media communication, website posting, brochures, posters, flyers, public relations kits	Internal or external event venues, online and virtual awareness raising	Immediately after project launch and on ongoing basis thereafter	Project information, business opportunities, advocacy efforts	Keep informed about the project activities, facilitate support in capacity building of PFIs
Selected Disbursement Administrators	Regional and District SDA branches	Operational meetings Capacity building workshops Monitoring reports, face-to-face meetings, capacity building workshops with regional departments	Meeting halls of MoF/PIU or SDAs	Quarterly	ESS10 Requirements; Practical guidance on grants administration; Reimbursable grants administration progress and challenges faced; SEP and GRM implementation;	Implement the project components and comply with ESF requirements.
	All stakeholders	public meetings, new product launches, open house events, information boards, website postings	Meeting hall of akimats or community premises, SDA offices and websites	Semiannual	Project achievements and progress, awareness and outreach campaigns on project components, GRM procedures	Increase awareness, provide consultations and collect feedbacks.
	PAPs	Face-to-face meetings with PAPs, public consultations. Leaflets, Posters, brochures, hand-outs, websites.	The front office at Regional and District SDA branches, websites	Regularly	Eligibility criteria and application process for reimbursable grants; GRM contacts and procedures;	Increase awareness and access to information in local languages, provide consultations and collect feedback to comply with ESS10.
	Regional and District PFI branches	Operational meetings Capacity building workshops	Meeting halls of SGF or PFIs	Quarterly	Monitoring reports, face-to-face meetings, capacity building workshops with regional departments.	Implement the project components and comply with ESF requirements.

Participating Financial Institutions (PFIs)					Training for the staff involved in ESMS issues and updates on project progress and provision of feedback and disclosure of documents Practical guidance on portfolio guarantee administration	
	All stakeholders	public meetings, new product launches, open house events, information boards, website postings	Meeting hall of akimats or community premises	Semiannual Before ESMS approval	Project achievements and progress, awareness and outreach campaigns on project components, GRM, ESMS public consultations and disclosure	Increase awareness, provide consultations and collect feedbacks.
	PAPs	Face-to-face meetings with PAPs, public consultations. Leaflets, Posters, brochures, hand-outs, websites.	The front office at Regional and District PFI branches, websites	Regularly Before ESMS approval	Eligibility criteria and application process for loans; GRM contacts and procedures; ESMS consultations and disclosure,	Increase awareness and access to information in local languages, provide consultations and collect feedback to comply with ESS10.

Given the on-going social distancing policy of the Government, stakeholder engagement will be conducted primarily through virtual means and disclosure of documents. Project webpage will be created by the PIU where all future project related environmental and social monitoring reports and all other project information will be made available. Details about the project grievance mechanism will also be posted on the website. An electronic grievance submission form will also be made available on the website. The PIU will update website regularly. Face to face meetings and consultations will be held only after the government rules on restrictions on social gatherings are eased and lifted, following the World Bank's Technical Note: Public Consultations and Stakeholder Engagement in WB-supported operations when there are constraints on conducting public meetings (March 20, 2020).^[1]

^[1]<https://worldbankgroup.sharepoint.com/sites/wbunits/opcs/Knowledge%20Base/Public%20Consultations%20in%20WB%20Operations.pdf>

7. IMPLEMENTATION ARRANGEMENTS FOR STAKEHOLDER ENGAGEMENT

7.1 Project Implementation Arrangements

The PIU under the Ministry of Finance will shoulder full responsibility for engaging with the stakeholders. Social Development Specialists recruited by the PIU and PIG will be responsible for the SEP implementation and reporting. As this is countrywide program other key entities like, SDAs, PFIs and their district level branches will play a major role at the local level. Each SDA/PFI at the national and local level will identify one person (either from the Public Relations Department) will act as a focal point for SEP (Figure 7.1). However, the entire PIG will collaborate with the SDAs/PFIs and be involved in engaging with the stakeholders.

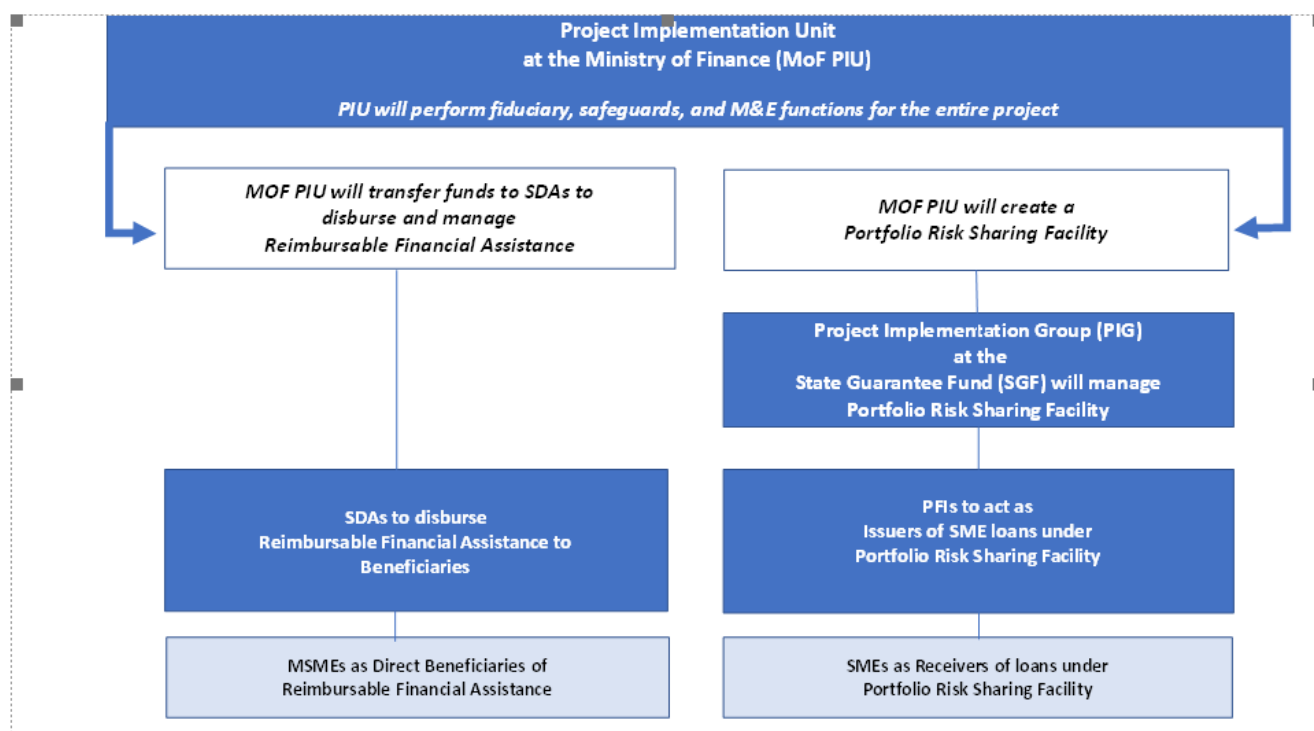


Figure 7.1. Organizational chart, specifying the implementation arrangements under the project.

To leverage implementation capacity within the Government, the *existing PIU at the MoF* (will act as PIU for the Kyrgyz Republic Emergency Support for Private and Financial Sector Project as well. The MoF PIU has been successfully implementing WB project in the Kyrgyz Republic since 2002, either as a single PIU or performing fiduciary/safeguards/M&E functions only. The MoF PIU has accumulated significant experience in procurement, financial management, environmental and social development safeguards and Monitoring and Evaluation, in accordance with the World Bank policies and procedures. To remain cost-efficient, avoid duplicating roles in different agencies, and use existing capacity, the MoF PIU will implement the project as it relates to procurement, FM, E&S safeguards and M&E monitoring. The *MoF PIU will employ a Social Development Specialist*, who will be responsible for coordination of stakeholder engagement activities and social risk management actions.

The MoF PIU will disburse and manage the RFA. The MoF PIU will, inter alia: (i) assess and sign agreements with eligible SDAs who will act as financial assistance disbursement agents for the RFA; (ii) prepare the RFA Procedural Manual, detailing implementation arrangements, terms and conditions; (iii) support the outreach campaign for the RFA in collaboration with the SDAs; and, (iv) ensure reimbursement of the RFA. The SDAs will receive funds directly from the MoF PIU to disburse financial assistance to MSMEs, and disbursement will be report-based. The SDAs will have a variable ceiling, based on a six-month forecast to cover project implementation needs.

The SGF will manage the PRSF. The SGF is the only guarantee fund operating at a national scale and it will manage the PRSF operations. Notably, the SGF is familiar with development partner projects and is currently working with the World Bank (under the Integrated Dairy Productivity Improvement in the Kyrgyz Republic

project, P155412). The SGF will, *inter alia*: (i) select eligible PFIs and facilitate the signing of agreements with them; (ii) preparing the PRSF Procedure Manual, detailing implementation arrangements, terms and conditions; (iii) conduct information sessions to introduce PRSF to financial institutions; and, (iii) manage the day to day operation of the PRSF.

PIG will also recruit a Social Development Specialist (SDS), who will support the MoF/PIU SDS to implement stakeholder engagement activities and social risk management measures.

7.2 Roles and Responsibilities

A core Community Outreach Team comprised of MoF PIU, the SGF PIG, PFIs and PFIs' district branch staff will take responsibility for and lead all aspects of the stakeholder engagement. However, to implement the various activities envisaged in the SEP, the Community Outreach Team will need to closely coordinate with other key stakeholders – other national and local government departments/agencies and PAPs. The roles and responsibilities of these actors/stakeholders are summarized in the Table below.

Table 7.2 Responsibilities of key stakeholders in SEP Implementation

Stakeholder	Responsibilities
Ministry of Finance/ Project Implementation Unit	<ul style="list-style-type: none"> Managing implementation of the SEP; Leading stakeholder engagement activities; Coordination/supervision of contractors on SEP activities; Monitoring of and reporting on social performance to GOK and the World Bank; Planning and updating of the SEP; Management and resolution of grievances; Prepare and disclose the ESMS Preparation and Implementation Guidance Note for Component 2.
State Guarantee Fund/ Project Implementation Group	<ul style="list-style-type: none"> Report on GRM implementation to PIU under Component 2; Support in implementation, monitoring and reporting on the stakeholder engagement activities under Component 2; Make sure each PFI prepares, consults, discloses and implements the Environmental and Social Management System Regularly report on ESMS implementation to the PIU.
Selected Disbursement Administrators	<ul style="list-style-type: none"> Implement and report on stakeholder engagement activities to PIG under Component 1; Provide report on all complaints to the PIG GRM Focal Points; Transmit and resolve complaints caused by the project interventions in close collaboration with and as directed by PIG and by participating in the local Grievance Resolution Committee; Disclose and implement various stakeholder activities under Component 1.
Participating Financial Institutions	<ul style="list-style-type: none"> Implement and report on stakeholder engagement activities to PIU/PIG; Provide report on all complaints to the PIU/PIG GRM Focal Points; Transmit and resolve complaints caused by the project interventions in close collaboration with and as directed by PIU/PIG and by participating in the local Grievance Resolution Committee; Prepare, consult, disclose and implement the ESMS in each respective financial institution; Submit quarterly reports on challenges faced during ESMS implement to SGF/PIG;

	<ul style="list-style-type: none"> • Disclose and implement various stakeholder activities under Component 2.
District Branches of SDAs and PFIs (district/city)	<ul style="list-style-type: none"> • Monitor Project compliance with project E&S documents and Kyrgyz legislation; • Participate and support implementation of assigned activities in the SEP; • Provide report on all complaints to the National GRM Focal Point at PFI; • Participate in the local Grievance Resolution Committee; • Make available the disclosed SEP, GRM procedures and ESMS (ESMS is applicable only for PFIs).
Project-affected parties	<ul style="list-style-type: none"> • Invited to engage and ask questions about the project at public meetings; • Lodge their grievances using the Grievance Resolution Mechanism defined in the SEP; • Help the Project to define mitigation measures;
Other project stakeholders	<ul style="list-style-type: none"> • Engage with PIU regarding project design; • Raise concerns to help the project to be inclusive.

7.3 Stakeholder Engagement Methods to be used

The implementing agency will arrange for the Information, Education and Communication (IEC) campaign to accomplish effective outreach so that all the stakeholders share a common understanding. The following stakeholder engagement methods will be utilized:

Public meetings

MoF PIU supported by the SGF/PIG will organize project launch meeting at the national level, which may be held on a virtual basis if social distancing policy due to COVID-19 is not lifted by then. PFIs at the district/city level will arrange for open house events where information about upcoming reimbursable grants and loans will be disseminated, and MSMEs will be invited to ask questions and express any concerns. If there is sufficient interest, separate meetings will be held for women, at which women will also be the primary representatives of MSMEs. Open house events will also be organized on a quarterly basis.

Communication materials

Written information will be disclosed to the public via a variety of communication materials including brochures, flyers, posters, etc. Their electronic versions will be prepared and made available on-line, and a public relations kit will be designed specifically and distributed both in print and online form. MoF/PIU and SGF/PIG will also update their websites on monthly basis with key project updates and reports on the project's performance both in Kyrgyz, Russian and English. The websites will also provide information about the project specific grievance mechanism.

Social media communication/ICT applications

Community outreach team members (MoF/PIU SDS, the SGF/PIG SDS, SDAs, PFIs and their district branch assigned staff) will remain close communication with PAPs and other stakeholders, once requirements on social distancing due to COVID-19 pandemic are lifted. They will also be responsible for posting relevant information on the dedicated website, social media channels (Facebook, Telegram, etc.) throughout the project's lifecycle. Social media channels will be used as much as possible to disseminate information while requirements on social distancing due to COVID-19 pandemic are still in effect. ICT applications (What'sUp, Viber) will be used to receive complaints and feedback from the target groups.

Information Desks

Information Desks in each PFI and SDA will provide MSME representatives with information about project activities including stakeholder engagement activities, project interventions, contact details of the GRM Focal Point, etc., including through phone calls at a dedicated phone number, which will be set up and provided when the SEP is updated after project effectiveness. The focal point, in turn, will set up these information desks, either in their offices or other easily accessible places where they can meet or receive phone calls and share information about the project with PAPs and other stakeholders. Brochures and fliers on various project related social and environmental issues will be made available at these information desks. Their electronic copies will also be prepared and made available through emails, and the contact number of information desks will be made available at social media.

Trainings and workshops

Training sessions on a variety of social issues will be provided to MOF/PIU, SGF/PIG, SDAs, PFIs and other stakeholders. Issues to be covered will include environmental and social management systems (ESMS) development and implementation, sensitization to inclusion/exclusion, labor issues, gender-based violence risks, SEP and GRM reporting. Such training will be provided on a virtual basis till the government restriction on public meeting and large gathering is lifted.

Grievance redress mechanism

In compliance with the World Bank's ESS10, a project-specific grievance mechanism will be set up to handle complaints and issues. Dedicated communication materials (specifically, a GRM brochure or leaflet) will be developed to help PAPs become familiar with the grievance redress channels and procedures. PIU will maintain a grievance register in order to capture and track grievances from submission to resolution and communication with complainants.

The initial effort to resolve grievances to the complainant's satisfaction will be undertaken by PFIs/SDAs at the local level. If that is not successful in resolving grievances, they will be escalated to the national office of the PFIs, and then referred to the PIG/PIU. The mechanism is described in more detail in Section VIII below, which includes a form that can be used to submit grievances. *Grievances may be submitted anonymously*, but in that case, it cannot be known if the complainant is satisfied with the resolution. MoF and SGF websites, posters, and leaflets will include clear information on how feedback, questions, comments, concerns, and grievances can be submitted by any stakeholder. It will also provide information on the way grievances will be handled, both in terms of process and deadlines.

7.4 Proposed strategy to incorporate the view of disadvantage groups

The project will take special measures to ensure that MSMEs headed by women, disadvantaged and vulnerable groups have equal opportunity to access information, provide feedback, or submit grievances. The SEP will be updated with more information about vulnerable groups soon after effectiveness. The deployment of E&S specialist will help to ensure proactive outreach to wide range of MSMEs. Outreach and awareness raising sessions will be conducted at the national and district/city levels to ensure that the vulnerable MSMEs will receive project benefits.

7.5 Information disclosure

The current MoF and SGF websites (www.minfin.kg and www.gf.kg HYPERLINK "http://www.gse.com.ge/home") are being used to disclose project documents, including those on social safeguards performance in Kyrgyz and Russian. MoF and SGF will create webpages devoted to the Project on their existing websites. All future project-related stakeholder engagement activities and documents will be disclosed on these webpages. Project updates will also be posted on the homepage of MOF and SGF websites. All information brochures/fliers will be posted on the websites, and their soft copies will be prepared and made available through emails. Details about the Project Grievance Redress Mechanism will be posted on both websites. An electronic grievance submission form will also be made available on those sites. Contact details of the Community Outreach Team at the national and district levels will also be made available on the websites. MoF/PIU and SGF/PIG will update and maintain the websites regularly (at least on monthly basis).

7.6 Estimated Budget

A tentative budget for implementing the stakeholder engagement plan for four years is reflected in Table 7.2. The stakeholder engagement activities featured above cover a variety of social issues, which may be part of other project documents, so it is possible that they have also been budgeted in other plans. However, the table below summarizes all the stakeholder engagement activities in one place for better coordination and monitoring. MoF PIU will review this plan every six months to determine if any changes to stakeholder classification or engagement are required. If so, the plan will be updated, and a new revision distributed. The budget will be revised accordingly. The SEP implementation costs will be funded from Component 3 mostly.

Table 7.2. Stakeholder Engagement Plan – Estimated Budget (4 years)

Stakeholder Engagement Activities	Q-ty	Unit Cost, USD	# of months /years	Total cost (USD)
Social Development Specialist at PIU and PIG (4 years x USD 300 per month, 2 people)	2	300	96	28800
Travel expenses of staff (cost per year)		5000	4	20000
Information desks (PIU - 1, SGF-1, PFIs - 60) = 185	62	100		6200
Communication materials (leaflets, posters, PR kits including design)				20000
Project press conferences	4	800		32000
Trainings (Social issues, outreach, ESMS, GRM, etc.)	8	500		4000
Hotlines for GRM (PIU, PIG)	2	100	48	9600
Website and social media updates	2	200	48	19200
Total				111,000

8 GRIEVANCE REDRESS MECHANISM

The GRM will be accessible to the full range of project stakeholders, including project-affected parties, community members, civil society, media, and other interested parties. Stakeholders can use the GRM to submit complaints, feedback, queries, suggestions, or even compliments related to the overall management and implementation of the project. The GRM is intended to address issues and complaints from external stakeholders in an efficient, timely, and cost-effective manner. A separate mechanism will be used for worker grievances. The PIU at the MoF will be responsible for managing the stakeholder GRM.

8.1 Project Specific GRM

Achieving the project objectives will require continuing consultations and exchange of information and knowledge. Transparency, consultations and feedback mechanisms with the beneficiaries will be a key part of the project. Facilitating participation of beneficiaries and feedback will be one of the key tasks of the project staff in the field.

A feedback mechanism operating at the national and district/city levels will allow the project beneficiaries to provide feedback on issues related to project activities. In order to enhance satisfactory results of the project, a

grievance redress mechanism for resolving grievances that arise among the project beneficiaries during the project implementation and to provide feedback to them has been developed and will be implemented.

Any grievances, disputes, as well as proposals arising during the project implementation should be reviewed and resolved and monitored in accordance with the standards established in this Grievances Redress and Feedback Mechanism (GRM).

The Grievances Redress and Feedback Mechanism (GRM) is a set of specific procedures for identifying, evaluating, methodically and expeditiously reviewing complaints, disputes with the project beneficiaries, and proposals arising during the project implementation, and their resolution and monitoring.

The general process for redress of grievances from the project affected parties (PAPs) of the project is as follows:

At the initial stage, the project beneficiaries will be provided with information on the procedure and terms of consideration and processing of grievances and proposals:

- 1) Information on the GRM will be posted on MoF and SGF websites, as well as at information boards of the SDAs/PFIs and in each participating branch of SDAs/PFIs. Information about GRM will also be provided through social media;
- 2) GRM leaflets will be prepared and printed within the framework of the project, with a brief explanation of the procedures and terms of consideration and resolution of complaints and proposals, as well as the content of all contact data. Their electronic copies will also be prepared and made available through emails and put on social media;
- 3) GRM leaflets will be distributed by the employees of the SDA and PFI district/city offices during meetings with the project beneficiaries which may only be held on virtually during when restriction on public meeting is in effect.

Any complaints and proposals received at all levels must be documented and registered in the register of complaints and proposals. This Log should be maintained at all levels of consideration of applications submitted by PAPs. The complaint filing form and registry Log maintaining procedures are described below. The complaint form is enclosed in Annex 1.

Each PFI will be required to include in its ESMS mechanisms to respond to public inquiries, complaints, or feedback about the activities conducted by beneficiary MSMEs, in line with the guiding framework developed by the PIU that requires fair, impartial, speedy and nondiscriminatory treatments of complaints or inquiries with full respect to confidentiality and dignity of complainants or feedback providers. The guiding framework will be prepared and included in the updated SEP which will be prepared within 30 days of project effectiveness. Details about the grievance and feedback handling mechanisms required to be included in the PFI's ESMS will be provided in the guiding framework, but they will be based on the following:

LEVEL ONE. The initial step in the process of grievances (complaints) and feedback management will be the GRM focal points assigned in each SDA/PFI branch offices at district/city level. A PAP can file a grievance (complaint) as follows:

- 1) In the form of an oral or written request, including by email, by phone, or via SMS, WhatsApp messages.
- 2) A complaint in oral, written or electronic form must be registered in the Register of Grievances and Proposals of the SDA/PFI.
- 3) If the problem cannot be resolved to the PAP satisfaction within 3 working days from the date complaint registration, or if the PAP complaint is not within the competence of the PFI, the grievance is escalated to the next level.
- 4) In this case, the PAP must submit his/her complaint/proposal in writing to the national office of the PFI, or the head office of the SGF/PIG, or to the MoF/PIU, depending on the area of the issue raised. PFI GRM Focal Point should inform the PAP about this and assist the PAP in filing the complaints with the national office. Anonymous complaint/ proposal is allowed.
- 5) National offices of PFIs should regularly collect, summarize and submit regular monthly reports on GRM implementation to PIU or PIG (depending with whom they signed legal agreement), including analysis of different types of complaints.

- 6) National offices of PFIs should be in constant contact with their branches at district/city level regarding the PAP complaints and feedbacks received from the project beneficiaries.

LEVEL TWO. The PAP's complaint form must be submitted in writing to the national office of the PFIs/SDAs (Anonymous complaint/ proposal is allowed), including:

- 1) By email (an electronic mailbox will be established directly for complaints and feedback);
- 2) Through SMS or WhatsApp messages. A separate phone (smartphone) will be purchased and a phone number for the purposes of the GRM will be defined. The equipment will be located in the office of the PFI. The subscription fee for the use of mobile communication services under this number will be paid for from the operational means of the project. This number will be used on working days as a "hot line" for the beneficiaries of the project via SMS or WhatsApp messages.
- 3) A complaint in writing or electronically should be registered in the Log for registering complaints and proposals and should be considered within 5 working days from the date of registration.
- 4) In order to application cases that cannot be resolved within 5 working days, a PAP submits his/her complaint/proposal on any issue related to the project implementation process, in writing to the head office of the ___ and/or ___, depending on the area of the issue.
- 5) Staff of the PFI district/city office should provide assistance to the PAP in preparing and sending the application to the head office of the PFI and/or PIU/PIG.
- 6) The GRM Focal Point of the PFI/SDA national office should regularly collect, summarize and provide information on incoming complaints and proposals in monthly reports, including an analysis of various types of complaints and proposals, and transmit it to the responsible officers of the head office of the ___ and/or ___.

LEVEL THREE. The PAP's complaint form must be submitted in writing to the head office of the MoF/PIU or SGF/PIG (depending on the signed legal agreement and reporting arrangements between PFIs), including:

- 1) By e-mail (electronic boxes will be established specifically for complaints and feedback, for example, grm@...kg for the PIU, grm-xxxx@...kg for the PIG);
- 2) A complaint in written or electronic form should be registered in the Log for registering complaints and proposals and should be considered within 7 working days from the moment of registration.

In cases where special examination (expertise), (or) requesting additional materials or taking other measures are required, the deadlines for the resolution of complaints can be extended, but not more than 15 calendar days. The decision on this is taken by the head of the PIU/PIG and is reported to the PAP in written (electronic) form.

In the event if resolution of the issues raised in the written (electronic) complaint application falls within the competence of several bodies, state bodies, a copy of the application within 3 working days from the date of registration should be sent to the relevant state bodies. In this case, the complaint is processed within the time limits established in accordance with the Law of the Kyrgyz Republic "On the Procedure for Considering Citizens' Applications" (2007).

Complaint Filing Procedure

- 1) The PAP, in his/her oral or written application, including in an electronic form, indicates his/her name, first name, patronymic, postal address, e-mail address to which the response should be sent, a contact phone number (home-, work-, cell- phone number) and sets out the essence of the statement or the complaint, puts a personal signature and the date.
- 2) The application, complaint, proposal of the PAP must be justified. If necessary, documents supporting the PAP's arguments are attached to them. Electronic copies can also be attached to the electronic application, including scanned electronic documents, Internet addresses where electronic files are placed (electronic documents, photo and video materials).
- 3) When considering an application, the *PAP has the right to confidentiality and anonymity* of the submitted complaint. A note on this is made in the log for registering complaints and proposals at all levels.

Complaint Registry Log. Any complaint or proposal of the PAP, whether oral or written, is subject to registration in the Log for registering complaints and proposals.

- 1) The Log will be maintained in electronic form (in the Excel table);

- 2) The date of receipt is indicated in the Log, and the incoming registration number is assigned. Each complaint must have an individual identification number, and status of each complaint should be reflected in the Log.
- 3) In this registry, it is necessary to indicate the responsible officers to resolve each individual complaint/proposal and record the dates of filing the complaint/proposal and the response to the complainant regarding his/her complaint/proposal, the closing date of the complaint in this Log.
- 4) Responsible staff for the resolution of each individual complaint/proposal must provide response to the PAP within the time frame established by this manual and provide a copy of the response to the responsible person for maintaining the Log of complaints and proposals for marking the status and closing date of the complaint/proposal.
- 5) Copies of replies to the written complaints and proposals of the PAPs must be bound in a separate folder and be kept with the person responsible for maintaining the log for registering complaints and proposals.
- 6) GRM focal points will be responsible for maintaining the Log for registering complaints and proposals:

Additional information channels for feedback and complaints. MoF/PIU may consider using and working with additional ICT channels for receiving complaints and feedback from the public, for example:

- 1) An official project page can be established in social networks, for example, www.facebook.com, that can serve as a platform for dissemination of information on the project activities, including the possibility for PAPs to file an a grievance or appeal;
- 2) Cooperation with mass media to disseminate information on project activities, including information on processing of complaints and proposals.
- 3) Establishment of *anonymous boxes for complaints and feedback on information stands* at the offices of involved PFIs.

Monitoring of complaints and proposals. GRM Focal Points at participating financial institutions and their branch offices in districts/cities, the GRM at PIU and PIG will:

- 1) maintain direct communication with the PAPs;
- 2) provide a regular report to management, and maintain a database on the substance, number and status of receive complaints and proposals;
- 3) A draw up an analysis of the types of complaints and comments, as well as make proposals aimed at reducing the number of complaints.

During field monitoring, the project staff will necessarily review and monitor implementation of the GRM.

The GRM data will be collected, summarized and presented in the monthly reports and summarized in one report for the entire project.

The MOF/PIU E&S Specialist and the M&E Specialist will monitor the entire process of reviewing and responding to complaints and proposals on time and provide quarterly reports on monitoring of complaints and proposals to the World Bank.

Table of the Grievance Redress and Feedback Mechanism

To whom is the complaint filed	Form of submission	Complaint management procedure	Time for consideration of complaints
THE FIRST LEVEL <u>PFI branches in districts/cities</u> Head of the Partner Organization: Address: Tel.: Fax: E-mail address: Officer responsible for maintaining the GRM Log:	Verbal Written In electronic format	1. PFIs register complaint/proposal in the Log for registration of complaints and proposals; 2. Maintain and monitor the process of reviewing and responding to complaints; 3. Monthly they are reporting in writing to the national office of the PFI, to the head office of the PFI, to the GRM officer on the status of work with complaints.	3 days
THE SECOND LEVEL <u>PFI National office</u> Head of the National Office: Address: Tel: Fax: E-mail address: Officer responsible for maintaining the GRM Log:	in written form in electronic form	1. The PFI national office registers a complaint in the Log for complaints and proposals.; 2. Maintain and monitor the process of reviewing and meeting the complaints; 3. Consideration of the complaint may require additional verification of the issue, including collection of additional documents. 3. Report on a monthly basis in written to the ____/____ (depending on the nature of the issue) on the status of work with complaints.	5 days 15 days
THE THIRD LEVEL for Component 2 <u>SGF PIG</u> Head of the PIG: Address: Tel.: Fax: E-mail address: Responsible officer for maintaining the GRM Log:	In written form In electronic form	1. A complaint is registered in the Log for registration of complaints and proposals. 2. In case of validity of the complaint, consultations with the complainant are conducted and corrective measures are developed; 3. Consideration of the complaint may require additional verification of the issue, including collection of additional documents. 4. The GRM data is collected, summarized and reflected in quarterly reports to MoF PIU.	7 days 15 days
THE THIRD LEVEL for Component 1 <u>MoF PIU</u> Head of the PIU: Address: Tel: Fax: E-mail: Responsible officer for maintaining the GRM Log:	In written form In electronic form	1. A complaint is registered in the Log for registering complaints and proposals; 2. In case of validity of the complaint, consultations with the complainant are conducted and corrective measures are being developed; 3. Consideration of the complaint may require additional verification of the issue, including collection of additional documents. 4. The GRM data are collected, summarized and reflected in quarterly reports to be submitted to the WB.	7 days 15 days

Grievance Redress Mechanism for Workers Hired under the Project

The workers' complaints must be submitted in writing to the MoF/PIU through:

- 1) By email (an electronic mailbox will be established directly for complaints and feedback, such as for example: grm@...kg);
- 2) Through SMS or WhatsApp messages. A separate phone (smartphone) will be purchased and a phone number for the purposes of the GRM will be defined. The equipment will be located in the office of the PFI. The subscription fee for the use of mobile communication services under this number will be paid for from the operational means of the project. This number will be used on working days as a "hot line" for the beneficiaries of the project via SMS or WhatsApp messages.

MoF PIU Head of the PIU: Address: Tel: Fax: E-mail: Responsible officer for maintaining the GRM Log:	In written form	1. A complaint is registered in the Log for registering complaints and proposals;	7 days
	In electronic form	2. In case of validity of the complaint, consultations with the complainant are conducted and corrective measures are being developed;	
	By phone	3. Consideration of the complaint may require additional verification of the issue, including collection of additional documents.	15 days
		4. The GRM data are collected, summarized and reflected in quarterly reports to be submitted to the WB.	

8.2 World Bank Grievance Redress System

Communities and individuals who believe that they are adversely affected by a project supported by the World Bank may also complaints directly to the Bank through the Bank's Grievance Redress Service (GRS) (<http://projects-beta.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>). A complaint may be submitted in English, Kyrgyz or Russian, although additional processing time will be needed for complaints that are not in English. A complaint can be submitted to the Bank GRS through the following channels:

- By email: grievances@worldbank.org
- By fax: +1.202.614.7313
- By mail: The World Bank, Grievance Redress Service, MSN MC10-1018, 1818 H Street Northwest, Washington, DC 20433, USA
- Through the World Bank Country Office in Bishkek: 210 Moskovskaya Street, Bishkek, Kyrgyz Republic, bishkek@worldbank.org , Tel. +996 312 625262

The complaint must clearly state the adverse impact(s) allegedly caused or likely to be caused by the Bank-supported project. This should be supported by available documentation and correspondence to the extent possible. The complainant may also indicate the desired outcome of the complaint. Finally, the complaint should identify the complainant(s) or assigned representative/s and provide contact details. Complaints submitted via the GRS are promptly reviewed to allow quick attention to project-related concerns.

In addition, project-affected communities and individuals may submit complaints to the World Bank's independent Inspection Panel, which will then determine whether harm occurred, or could occur, as a result of the World Bank's non-compliance with its policies and procedures. Complaints may be submitted to the Inspection Panel at any time after concerns have been brought directly to the World Bank's attention, and after Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

Annex 1. Example Grievance Form

Grievance Form			
Grievance reference number (to be completed by GRM Focal Point):			
Contact details (may be submitted anonymously)	Name (s):		
	Address:		
	Telephone:		
	Email:		
How would you prefer to be contacted (check one)	By mail/post: <input type="checkbox"/>	By phone: <input type="checkbox"/>	By email <input type="checkbox"/>
Preferred language	<input type="checkbox"/> Kyrgyz	<input type="checkbox"/> Russian	<input type="checkbox"/> other _____
Provide details of your grievance. Please describe the problem, who it happened to, when and where it happened, how many times, etc. Describe in as much detail as possible.			
What is your suggested resolution for the grievance, if you have one? Is there something you would like the PFI/PIU/PIG or another party/person to do to solve the problem?			
How have you submitted this form to the project?	Website <input type="checkbox"/>	email <input type="checkbox"/>	By hand <input type="checkbox"/>
	In person <input type="checkbox"/>	By telephone <input type="checkbox"/>	Other (specify) <input type="checkbox"/>
Who filled out this form (If not the person named above)?	Name and contact details:		
Signature			
Name of GRM Focal Point			
Resolved at the local level or referred to the national one?	<input type="checkbox"/> Resolved	<input type="checkbox"/> Referred	If referred, date:
Resolved or referred to PIU/PIG?	<input type="checkbox"/> Resolved	<input type="checkbox"/> Referred	If referred, date:
Completion			
Final resolution (briefly describe)			
	Short description	Accepted ? (Y/N)	Acknowledgement signature
1 st proposed solution			
2 nd proposed solution			
3 rd proposed solution			