

**Ministry of Industry and Commerce (MOIC)  
through its Department of Small and Medium  
Enterprise Promotion (DOSMEP)**

**Emergency Support for MSME Access to Finance  
Project (P174169)**

**ENVIRONMENTAL and SOCIAL  
COMMITMENT PLAN (ESCP)**

**August 31, 2020**

## ENVIRONMENTAL AND SOCIAL COMMITMENT PLAN

1. Lao PDR (hereinafter the Recipient) will implement the MSME Access to Finance Emergency Support Project (the Project). The International Development Association (hereinafter the Association) has agreed to provide financing for the Project.
2. The Recipient will implement material measures and actions so that the Project is implemented in accordance with the Environmental and Social Standards (ESSs). This Environmental and Social Commitment Plan (ESCP) sets out material measures and actions, any specific documents or plans, as well as the timing for each of these.
3. The Recipient will also comply with the provisions of any other environmental and social (E&S) documents required under the Environmental and Social Framework (ESF) and referred to in this ESCP, such as Environmental and Social Management System (ESMS), Stakeholder Engagement Plan (SEP) and Labor Management Procedure (LMP) and the timelines specified in those E&S documents.
4. The Recipient is responsible for compliance with all requirements of the ESCP even when implementation of specific measures and actions is conducted by the Ministry referenced in 1. above.
5. Implementation of the material measures and actions set out in this ESCP will be monitored and reported to the Association by the Recipient as required by the ESCP and the conditions of the legal agreement, and the Association will monitor and assess progress and completion of the material measures and actions throughout implementation of the Project.
6. As agreed by the Association and the Recipient, this ESCP may be revised from time to time during Project implementation, to reflect adaptive management of Project changes and unforeseen circumstances or in response to assessment of Project performance conducted under the ESCP itself. In such circumstances, the Recipient will agree to the changes with the Association and will update the ESCP to reflect such changes. Agreement on changes to the ESCP will be documented through the exchange of letters signed between the Association and the Borrower. The Recipient will promptly disclose the updated ESCP.
7. Where Project changes, unforeseen circumstances, or Project performance result in changes to the risks and impacts during Project implementation, the Recipient shall provide additional funds, if needed, to implement actions and measures to address such risks and impacts.

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY/AUTHORITY
<b>MONITORING AND REPORTING</b>			
A	<b>REGULAR REPORTING:</b> Prepare and submit to the Association regular monitoring reports on the environmental, social, health and safety (ESHS) performance of the Project, including but not limited to, stakeholder engagement activities and grievance log in a format to be provided by the Association.	Six-monthly, throughout Project implementation.	DOSMEP (With input from PFIs)
<b>ESS 1: ASSESSMENT AND MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS</b>			
1.1	<b>ORGANIZATIONAL STRUCTURE:</b> The Recipient shall establish and maintain a unit within DOSMEP to take on overall responsibility for Project implementation, including implementation of this ESCP with qualified staff and resources to support management of ESHS risks and impacts of the Project including ensuring there is a nominated E&S Focal Point who is responsible for the monitoring of the implementation of the Environmental & Social Management System (ESMS). The DOSMEP will prepare and implement the ESMS as well as PFIs and PCG facility. In order to achieve this, the DOSMEP and Participating Financial Institutions (PFIs) as well as the Partial Credit Guarantee (PCG) Fund Manager need to assign both a senior management representative to have overall accountability for environmental and social performance plus a staff member as an E&S focal person to coordinate E&S requirements and implementation of the project ESCP and ESMS.	<p>An E&amp;S senior representative and an ESF Focal Point will be designated/appointed by DOSMEP when each PFI will be established to support the Project before the beginning of the relevant Project activities and throughout Project Implementation.</p> <p>Part time consultants may be hired and retained on an as-required basis.</p> <p>Each PFI and the PCG fund manager will assign/appoint E&amp;S focal point(s) to support the implementation of and compliance with the ESMS and ESCP.</p>	<p>DOSMEP (supported by PFIs)</p> <p>PFIs and PCG fund manager</p>

MATERIAL MEASURES AND ACTIONS	TIMEFRAME	RESPONSIBLE ENTITY/AUTHORITY
<p>1.2 <b>ENVIRONMENTAL AND SOCIAL ASSESSMENT/MANAGEMENT PLANS AND INSTRUMENTS/ CONTRACTORS</b></p> <p>a. Assess the environmental and social risks and impacts of proposed Sub-project activities, in accordance with Environmental and Social Management System (ESMS), prepared pursuant to the provisions of the Financing Agreement. The ESMS will identify, assess, manage, and monitor the E&amp;S risks and impacts of MSME sub-loans on an ongoing basis, commensurate with the nature and scale of their risks and impacts and support Participating Financial Intermediaries (PFIs) in meeting the ESMS requirements.</p> <p>b. Prepare, disclose, adopt, and implement any environmental and social management plans or other instruments (as required under ESS1, 2, 3, 4, 7, 9 and 10) required for the respective Sub-project activities based on the assessment process, in accordance with the ESSs, the ESMS and other relevant Good International Industry Practice (GIIP) in a manner acceptable to the Association.</p> <p>c. Incorporate the relevant aspects of this ESCP, including, inter alia, any environmental and social management plans or other instruments, ESS2 requirements, and any other required E&amp;S measures, into the E&amp;S specifications of the procurement documents and contracts with contractors and supervising firms. Thereafter ensure that the contractors and supervising firms comply with the ESHS specifications of their respective contracts.</p>	<p>a. The ESMS needs to be prepared, consulted, and disclosed 45 days after the Effective Date and before the approval of any subproject under components A and B (PCGs and Line of Credit).</p> <p>b. Before the approval and carrying out of the relevant Project activities, and thereafter throughout the carrying out of such activities.</p> <p>c. Before approval and launching the procurement process for the relevant Project activities, and thereafter throughout the carrying out of such activities.</p>	<p>DOSMEP- (with input from PFIs)</p> <p>PFIs</p> <p>PFIs</p>

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY/AUTHORITY
1.3	<p><b>EXCLUSIONS:</b> Exclude the following type of activities as ineligible for financing under the Project:</p> <ul style="list-style-type: none"> <li>Any activities under the Exclusion List or where there is a non-compliance with the relevant E&amp;S legal requirements of Laos.</li> <li>Any financing that does not fit the eligibility criteria for MSMEs under the Project.</li> <li>Any activities that are “substantial” and “high” risk.</li> <li>Any other exclusion criteria to be specified in the ESMS.</li> </ul> <p>The exclusion list and applicable Lao PDR’s E&amp;S laws as well as guidance under ESS1, 2, 3, 4, 7, 9 and 10 are the “Applicable Performance Requirements”.</p>	The exclusion list will be agreed with the Bank and finalized as part of the ESMS prior to disclosure 45 days after effectiveness	DOSMEP/(with input from PFIs)
1.4	The preliminary environmental and social risks screening of the first two sub-loans of each PFI should be sent to the Association for prior approval.	Prior to the approval of these sub-loans.	DOSMEP/PFIs
<b>ESS 2: LABOR AND WORKING CONDITIONS</b>			
2.1	<p><b>LABOR MANAGEMENT:</b> The Project shall be carried out in accordance with the project’s Labor Management Procedure (LMP) aligned with ESS2, which includes provisions on Occupational Health and Safety (OHS) and measures related to emergency preparedness. This shall be done in a manner acceptable to the Association, for the Recipient and the PFI’s own operations.</p>	Throughout Project implementation.	DOSMEP/(with input from PFIs)
<b>ESS 3: RESOURCE EFFICIENCY AND POLLUTION PREVENTION AND MANAGEMENT</b>			
3.1	Relevant aspects of this standard shall be considered, as needed, under action 1.2 above, including, inter alia, measures to manage health care wastes and other types of hazardous and non-hazardous wastes as well as promote resources (water, energy, raw material) efficiency		
<b>ESS 4: COMMUNITY HEALTH AND SAFETY</b>			
4.1	Relevant aspects of this standard shall be considered, as needed, under action 1.2 above including, inter alia, measures to: prevent and respond to sexual exploitation and abuse, child labor and sexual harassment.		
<b>ESS 5: LAND ACQUISITION, RESTRICTIONS ON LAND USE AND INVOLUNTARY RESETTLEMENT</b>			

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY/AUTHORITY
5.1	Not relevant		
<b>ESS 6: BIODIVERSITY CONSERVATION AND SUSTAINABLE MANAGEMENT OF LIVING NATURAL RESOURCES</b>			
6.1	Not relevant		
<b>ESS 7: INDIGENOUS PEOPLES/SUB-SAHARAN AFRICAN HISTORICALLY UNDERSERVED TRADITIONAL LOCAL COMMUNITIES</b>			
7.1	<p>Relevant aspects of this standard shall be considered, as needed, under action 1.2 above.</p> <p>Ensure the implementation of Project activities affecting Indigenous Peoples in accordance with ESS7 including through adapting the project’s ESMS and SEP in a manner acceptable for the Association to make sure that IPs are fully consulted in a culturally-appropriated manner about and have opportunities to benefit from the Project activities.</p>		
<b>ESS 8: CULTURAL HERITAGE</b>			
	Not relevant.		

MATERIAL MEASURES AND ACTIONS	TIMEFRAME	RESPONSIBLE ENTITY/AUTHORITY
<b>ESS 9: FINANCIAL INTERMEDIARIES</b>		



<p><b>ESMS:</b> The DOSMEP, PFIs and fund manager will implement, and update as appropriate, the ESMS to meet the requirements of ESS 9, 1,2, 3, 4, 7, 10 including ensuring there is the capacity to maintain it through the appointment of the E&amp;S Focal Point.</p> <p>The ESMS will include at a minimum the following components: (i) the PFI’s environmental and social policy; (ii) Clearly defined E&amp;S procedures and capacity: to screen subprojects (application of exclusion list, review of industry sector and technical aspects of each subproject) and conduct due-diligence to evaluate E&amp;S risk and assign risk categories (low, moderate, substantial and high risk); (iii) systems/processes for due diligence within the PFI to evaluate, monitor, review and manage E&amp;S risks and impacts of the subprojects: evaluate the E&amp;S performance of on-going subprojects and the portfolio on a periodic basis; (iv) organizational capacity and competence: including a budget and a senior management position designated for reporting on the ESMS as well as providing training and capacity-building on ESMS procedures and performance; (v) procedures of update the ESMS; (vi) the project’s Labor Management Procedure (LMP) aligned with ESS2, including provision on Occupational Health and Safety (OHS) and measures related to emergency preparedness; and (vi) external communications mechanism, including a Stakeholder Engagement Plan and a Grievance Mechanism.</p> <p>PMU and each of the Participating Financial Institutions (PFIs) joining the project will assign both a senior management representative to have overall accountability for environmental and social performance plus a staff member or consultant as E&amp;S Focal Point to manage the day-to-day implementation of ESMS. The Terms of Reference of the E&amp;S Focal Point, including required technical skills and experience, will be included in the ESMS and Project Operations Manual (POM).</p> <p>ESMS will specifically include the project’s exclusion list, following action 1.3. The ESMS will specify the exclusion list referred to in action 1.3.</p> <p>During the implementation stage of this project, all candidate sub-projects will be screened against the project’s exclusion list of the ESMS,</p>	<p>The ESMS will be prepared, consulted, and disclosed 45 days after the Effective Date (before the approval of any subproject under components A and B (PCGs and Line of Credit) and maintained throughout implementation of the Project.</p>	<p>DOSMEP, PFIs and fund manager</p>
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MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY/AUTHORITY
	categorized and assessed for their E&S risks and impacts prior to financing under the project.		
<b>ESS 10: STAKEHOLDER ENGAGEMENT AND INFORMATION DISCLOSURE</b>			
10.1	<b>STAKEHOLDER ENGAGEMENT PLAN:</b> Prepare, disclose, adopt, and implement a Stakeholder Engagement Plan (SEP) consistent with ESS10, in a manner acceptable to the Association.	A draft SEP has been prepared and disclosed during the Appraisal. The SEP shall be implemented throughout the Project.	DOSMEP/PCG fund manager/PFIs
10.2	<b>GRIEVANCE MECHANISM:</b> Accessible grievance arrangements shall be made publicly available to receive and facilitate resolution of concerns and grievances in relation to the Project, consistent with ESS10, in a manner acceptable to the Association.	A project Grievance Mechanism is described in the SEP and shall be maintained throughout Project implementation.	DOSMEP /PFIs
<b>CAPACITY SUPPORT (TRAINING)</b>			
A	DOSMEP, PFIs and the PCG Fund Manager and other relevant implementing support staff responsible for the Project, including the E&S Focal Point, to receive training (mainly from consultants but, sometime, from the staff of the Association) on the Project’s ESMS and SEP, GRM Labor Management Procedures, provisions to prevent sexual abuse (SEA), Gender Based Violence (GBV) and/or violence against children (VAC), and the roles and responsibilities of different key agencies in the ESF implementation.	A SEP has been prepared and disclosed during the Appraisal. The SEP shall be updated as necessary and implemented throughout the Project	DOSMEP/PFIs/Association
B	The Recipient will implement environmental and social training activities, per agreed timelines to DOSMEP’s senior management and internal staff at PIU and involved units, E&S consultant, PFIs, PCG Fund Manager and MSMEs	At project launch workshop after board approval and throughout the project implementation	DOSMEP
<b>CONTINGENCY EMERGENCY RESPONSE (CERC) COMPONENT</b>			
1	In case the Contingent Emergency Response Component (CERC) is activated, activities envisaged under CERC will be similar in nature and design as activities under the project and following the similar eligibility criteria and exclusion lists to be implemented by PFIs and PCG fund manager in line with the same ESMS and implementation arrangement under this project.  DOSMEP will prepare a CERC Operations Manual and CERC provisions in the ESMS and submit to Association for approval before CERC activation to govern the operation of the CERC component.	Adopt CERC Manual and include CERC provisions in ESMS before CERC activation. Apply the CERC Manual and CERC-ESMS provisions throughout the implementation of CERC activities.	DOSMEP/PCG fund manager/PFIs