

Public Disclosure Authorized

# Republic of Moldova/Ministry of Economy MSME Competitiveness Project (P177895)

## ENVIRONMENTAL AND SOCIAL COMMITMENT PLAN (ESCP)

29 June 2022

## ENVIRONMENTAL AND SOCIAL COMMITMENT PLAN

1. The Republic of Moldova (the Borrower/Recipient) will implement the MSME Competitiveness Project (the Project), with the involvement of the Ministry of Economy (**MoE**) and the Organization for Small and Medium Enterprises Sector Development (ODIMM) as set out in the Financing/Loan Agreement. The International Bank for Reconstruction and Development and International Development Association (the World Bank) has agreed to provide the original financing (P177895) for the Project, as set out in the referred agreement(s).
2. The Borrower/Recipient shall ensure that the Project is carried out in accordance with the Environmental and Social Standards (ESSs) and this Environmental and Social Commitment Plan (ESCP), in a manner acceptable to the World Bank. The ESCP is a part of the Financing/Loan Agreement. Unless otherwise defined in this ESCP, capitalized terms used in this ESCP have the meanings ascribed to them in the referred agreements.
3. Without limitation to the foregoing, this ESCP sets out material measures and actions that the Borrower /Recipient shall carry out or cause to be carried out, including, as applicable, the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and grievance management. The ESCP also sets out the environmental and social (E&S) instruments that shall be adopted and implemented under the Project, all of which shall be subject to prior consultation and disclosure, consistent with the ESS, and in form and substance, and in a manner acceptable to the World Bank. Once adopted, said E&S instruments may be revised from time to time with prior written agreement of the World Bank.
4. As agreed by the World Bank and the Borrower/Recipient, this ESCP will be revised from time to time if necessary, during Project implementation, to reflect adaptive management of Project changes and unforeseen circumstances or in response to Project performance. In such circumstances, the Borrower /Recipient and the World Bank agree to update the ESCP to reflect these changes through an exchange of letters signed between the World Bank and the MoE. The Borrower /Recipient shall promptly disclose the updated ESCP.

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY
<b>MONITORING AND REPORTING</b>			
A	<p><b>REGULAR REPORTING</b></p> <p>Prepare and submit to the World Bank regular monitoring reports on the environmental, social, health and safety (ESHS) performance of the Project, including but not limited to the implementation of the ESCP, status of preparation and implementation of E&amp;S instruments required under the ESCP, stakeholder engagement activities, and functioning of the grievance mechanism(s).</p>	Semestral reports to the World Bank throughout Project implementation, commencing after the Effective Date. Submit each report to the World Bank no later than 15 days after the end of each reporting period.	MoE
B	<p><b>INCIDENTS AND ACCIDENTS</b></p> <p>Promptly notify the World Bank of any incident or accident related to the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, including, inter alia, cases of sexual exploitation and abuse (SEA), sexual harassment (SH), and accidents that result in death, serious or multiple injury. Provide sufficient detail regarding the scope, severity, and possible causes of the incident or accident, indicating immediate measures taken or that are planned to be taken to address it, and any information provided by any contractor and/or supervising firm, as appropriate.</p> <p>Subsequently, at the World Bank’s request, prepare a report on the incident or accident and propose any measures to address it and prevent its recurrence.</p>	<p>Notify the World Bank no later than 48 hours after learning of the incident or accident.</p> <p>Provide subsequent report to the World Bank within a timeframe acceptable to the World Bank.</p>	MoE
<b>ESS 1: ASSESSMENT AND MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS</b>			
1.1	<p><b>ORGANIZATIONAL STRUCTURE</b></p> <p><b>a. MoE shall establish and maintain the PIU</b> with qualified staff and resources to support the management of ESHS risks and impacts of the Project, including an environmental and a social specialist.</p> <p><b>b. ODIMM shall appoint and maintain an environmental and social focal point</b> to be responsible for day-to-day implementation of its Environmental and Social Management System and hire a consultant to assist with training and establishing PFI ESMS.</p>	<p>a. Establish and maintain a PIU as set out in the legal agreements. Hire the E&amp;S specialists not later than thirty (30) days after the Effective Date and retain them throughout Project implementation.</p> <p>b. ODIMM shall appoint its environmental and social focal point, and consultant not later than sixty (60) days after Project Effectiveness Date and retain them throughout Project implementation.</p>	<p>a. MoE</p> <p>b. ODIMM</p>
1.2	<p><b>ENVIRONMENTAL AND SOCIAL INSTRUMENTS</b></p> <p><b>a. Adopt and implement the Environmental and Social Management Framework</b></p>	a. ESMF for Component/Parts 1 and 3 prepared, disclosed, consulted upon	MoE ODIMM

MATERIAL MEASURES AND ACTIONS	TIMEFRAME	RESPONSIBLE ENTITY
<p>(ESMF) prepared for Component/Parts 1 and 3 of the Project, the ESSs, and the Environmental, Health and Safety Guidelines (EHSs). The ESMF includes a template for Environmental and Social Management Plans (ESMP). Assessment includes ensuring that business improvement plans and provision of equipment under Component/Part 3 are screened for E&amp;S risks and relevant assessments and plans are applied to matching grant activities where relevant.</p> <p>b. <b>ODIMM shall prepare, adopt and implement its own Environmental and Social Management System (ESMS) under Component/Part 2 and shall cause each PFI to prepare, adopt and implement its own Environmental and Social Management System (ESMS)</b> ensuring that they assess the environmental and social risks and impacts of the proposed credit guarantees provided under the Credit Guarantee Fund (CGF) and of the MSME activities that are financed by PFIs and benefit from a credit guarantee.</p> <p>c. <b>Prepare, disclose, consult upon, adopt, and implement any environmental and social management plans</b> or other tools required for the respective Project activities as per the screening process, in accordance with the ESSs and the ESMF (Component/Part 1 and 3) and ESMS (Component/Part 2), in a manner acceptable to the World Bank.</p>	<p>and adopted not later than thirty (30) days after effectiveness and applied throughout Project implementation.</p> <p>b. ODIMM shall prepare, disclose, consult upon and adopt its ESMS no later than sixty (60) days after Project effectiveness. ODIMM shall cause each PFI to prepare and adopt its own ESMS prior to signing guarantee agreement.</p> <p>c. Before provision of matching grants, MoE shall ensure participating firms comply with the ESHS specifications in their contracts consistent with the requirements of their ESMPs. Before provision of loans backed by credit guarantees ODIMM shall cause PFIs to ensure that participating firms comply with the ESHS specifications in their contracts consistent with the requirements of their ESMPs.</p>	
<p>1.3 <b>CONTINGENT EMERGENCY RESPONSE FINANCING</b></p> <p>a. Ensure that the CERC Manual includes a description of the ESHS assessment and management arrangements in the CERC-ESMF Addendum that will be prepared for the implementation of the CERC Component/Part, in accordance with the ESSs.</p> <p>b. Adopt any environmental and social (E&amp;S) instruments which may be required for activities under the CERC Component/Part of the Project, in accordance with the CERC Manual and CERC-ESMF Addendum and the ESSs, and thereafter implement the measures and actions required under said E&amp;S instruments, within the timeframes specified in said E&amp;S instruments.</p>	<p>a. Prepare and adopt the CERC Manual and CERC-ESMF Addendum in form and substance acceptable to the Bank is a withdrawal condition under Section III.B.2.b of Schedule 2 to the Financing Agreement and Section III.B.1(d)b. of Schedule 2 to the Loan Agreement for the Project.</p> <p>b. Adopt any required E&amp;S instrument and include it as part of the respective bidding process, if applicable, and in any case, before the carrying out of the relevant Project activities for which the</p>	<p>MoE</p>

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY
		E&S instrument is required. Implement the E&S instruments in accordance with their terms, throughout Project implementation.	
<b>ESS 2: LABOR AND WORKING CONDITIONS</b>			
2.1	<p><b>LABOR MANAGEMENT PROCEDURES</b></p> <p>a. <b>Labor Management Procedures (LMP) including worker Grievance Mechanism (GM)</b> are to be applied for Component/Parts 1 and 3 in accordance with the applicable requirements of ESS2 and include codes of conduct to prevent and manage incidents of SEA/SH.</p> <p>b. <b>ODIMM shall review its HR policies for consistency with ESS2 and apply measures to strengthen its LMP and Worker GM</b> where necessary and include these in their ESMS and shall cause each Participating Financial Institution (PFI) to review their HR policies for consistency with ESS2 and apply measures to strengthen their LMP and Worker GM where necessary and include these in their ESMS (for Component/Part 2) and apply their LMP and Worker GM to direct and contracted workers of PFIs and include codes of conduct to prevent and manage incidents of SEA/SH.</p> <p>c. <b>The Project shall implement necessary protocols under the Project ESMF (Component/Parts 1 and 3) and ESMS (Component/Part 2) for screening participating ESME loan applicants</b> for worker health and safety practices and monitoring to prevent harmful child labor or forced labor occurrences. Potential risks related to Covid-19 to workers at construction sites shall be mitigated by implementing the latest Covid-19 protection guidelines and good practice.</p>	<p>a. LMP have been prepared, disclosed, consulted upon and should be adopted not later than sixty (60) days after effectiveness for Component/Parts 1 and 3 and shall be applied throughout project implementation.</p> <p>b. ODIMM to prepare and include LMP in its ESMS no later than sixty (60) days after Effective Date and to cause each PFI to prepare and include LMP in its ESMS prior to PFI receipt of credit guarantees.</p> <p>c. Screening of participating ESMS loan applicants for labor practices will be implemented throughout the life of the Project</p>	MoE ODIMM
2.2	<p><b>GRIEVANCE MECHANISM FOR PROJECT WORKERS</b></p> <p>Establish and operate a grievance mechanism for Project workers, as described in the LMP and consistent with ESS2.</p>	Establish grievance mechanism prior to engaging Project workers and thereafter maintain and operate it throughout Project implementation.	
<b>ESS 3: RESOURCE EFFICIENCY AND POLLUTION PREVENTION AND MANAGEMENT</b>			
3.2	<b>RESOURCE EFFICIENCY AND POLLUTION PREVENTION AND MANAGEMENT</b>	Throughout Project implementation.	MoE ODIMM

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY
	<p><b>Incorporate resource efficiency and pollution prevention and management measures</b> in the ESMP to be prepared under action 1.2a above for Component/Part 3 in the ESMF, including, inter alia, measures to address: noise and dust emissions and the generation of construction wastes and wastewater, including hazardous and non-hazardous waste, underground water pollution by fertilizers and other agrochemicals. as well as pest management activities.</p> <p><b>For Component/Part 2 ODIMM ESMS, and the corresponding PFI ESMS will screen</b> activities and include relevant measures in ESMPs where necessary.</p> <p><b>Any activities of Matching Grant Beneficiaries which may be associated with significant impacts</b> on the environment will be rated as high or substantial risk and will be considered ineligible for Project financing.</p>		
<b>ESS 4: COMMUNITY HEALTH AND SAFETY</b>			
4.2	<p><b>COMMUNITY HEALTH AND SAFETY</b></p> <p><b>Relevant aspects of this standard shall be considered, as needed, under action 1.2a above for Component/Part 3 in the ESMF</b>, including, inter alia, measures to: minimize traffic and road safety risks; community exposure to waste (including hazardous waste) and communicable diseases relating to presence of labor (i.e., COVID-19 virus).</p> <p><b>For Component/Part 2 ODIMM ESMS, and the corresponding PFI ESMS will screen</b> activities and include relevant measures in ESMPs where necessary.</p> <p><b>Any activities of Matching Grant Beneficiaries which may be associated with significant impacts</b> on community health and safety will be rated as high or substantial risk and will be considered ineligible for Project financing.</p>	Throughout Project implementation.	MoE ODIMM
<b>ESS 5: LAND ACQUISITION, RESTRICTIONS ON LAND USE AND INVOLUNTARY RESETTLEMENT</b>			
	Not relevant.	Not relevant	Not relevant
<b>ESS 6: BIODIVERSITY CONSERVATION AND SUSTAINABLE MANAGEMENT OF LIVING NATURAL RESOURCES</b>			
	Not relevant.	Not relevant	Not relevant
<b>ESS 7: INDIGENOUS PEOPLES/SUB-SAHARAN AFRICAN HISTORICALLY UNDERSERVED TRADITIONAL LOCAL COMMUNITIES</b>			
	Not relevant.	Not relevant	Not relevant
<b>ESS 8: CULTURAL HERITAGE</b>			
	Not relevant.	Not relevant	Not relevant
<b>ESS 9: FINANCIAL INTERMEDIARIES</b>			
9.1	<b>ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM (ESMS)</b>	ODIMM ESMS prepared and adopted	MoE

MATERIAL MEASURES AND ACTIONS	TIMEFRAME	RESPONSIBLE ENTITY
<p><b>ODIMM shall and shall cause each PFI to develop, maintain, and implement an ESMS</b> to identify, assess, manage, and monitor the environmental and social risks and impacts of Credit Guarantees and associated Sub loans to MSMEs under Component/Part 2 that receive support from the Project. Each ESMS shall include, inter alia, the following elements:</p> <ul style="list-style-type: none"> <li>• Identification of the Credit Guarantees and associated Sub loans to MSMEs that may receive support from the Project.</li> <li>• An environmental and social policy endorsed by ODIMM/PFI senior management.</li> <li>• An exclusion list with the activities and types of FI subprojects that are not eligible for financing,</li> <li>• Clearly defined procedures for identification, assessment and management of the E&amp;S risks and impacts of subprojects including for (i) screening against the WBG Exclusion List and the national E&amp;S laws of Moldova; (ii) Screening, reviewing, and categorizing the subprojects according to their potential environmental and social risks and impacts within the defined eligibility criteria for the guarantee financing; (iii) applying any relevant requirement of the ESSs through the use of environmental and social assessments and plans where necessary; and (iv) monitoring any corrective actions proposed for the subproject. Any necessary assessments and plans will be prepared and implemented by MSME beneficiaries after review and approval by PFIs and ODIMM.</li> <li>• Exclusion list with the activities that are not eligible for financing,</li> <li>• An organizational capacity and competency for implementing the ESMS with clearly defined roles and responsibilities</li> <li>• Monitoring and reporting of environmental and social performance of FI subprojects and the effectiveness of the ESMS.</li> <li>• Incidents and accidents notification and subsequent reporting requirements.</li> <li>• An external communications mechanism, including measures to respond to public enquiries and concerns in a timely manner.</li> </ul> <p><b>ODIMM and the PIU shall review each PFI ESMS for consistency with the ODIMM ESMS and with ESS9 requirements.</b> If a PFI already has a corporate ESMS, it will be reviewed and strengthened by the PFI in collaboration with ODIMM as needed to ensure consistency with ESS9 and the ODIMM Bank-approved ESMS.</p> <p><b>ODIMM and each PFI will disclose a summary of each of the elements of their ESMS</b> through their relevant websites.</p>	<p>not later than sixty (60) days after Effective Date or before carrying out screening of any proposed loan backed by credit guarantees, whichever comes first. Once established, maintain and implement the ESMS throughout Project implementation.</p> <p>Each PFI ESMS prepared and adopted prior to signing guarantee agreement. Once established, maintain and implement the ESMS throughout Project implementation.</p>	<p>ODIMM</p>

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY
	<p><b>ODIMM and PIU will report to the World Bank</b> semi-annually on the performance of guarantee beneficiaries. MoE shall facilitate the World Bank to conduct prior review for an initial set of sub-projects of ODIMM and PFIs and thereafter conduct supervision spot checks for a number of sub-projects as described in the Project Operations Manual.</p>		
9.2	<p><b>EXCLUSIONS</b>                      An exclusion list will be included in the ESMF and ESMS detailing the range of activities ineligible for financing, either through provision of matching grants or through loans backed by credit guarantees. The following type of activities shall not be eligible for finance under the Project:</p> <ul style="list-style-type: none"> <li>a. <b>Any activities which may be associated with significant risks and impacts</b> on the environment, community health and safety, labor and working conditions, biodiversity or cultural heritage will be rated as high or substantial risk and will be considered ineligible for Project financing.</li> <li>b. <b>Any activities located in protected areas, critical and non-critical habitats or culturally or socially sensitive areas</b>, along with subprojects that might have impacts on international waterways, including River Prut, Dniester, or Danube Delta.</li> <li>c. <b>Any activities that involve physical or economic displacement.</b> Should any land or property be acquired by beneficiaries, it will be on a willing buyer-willing seller basis as documented by legal transaction records.</li> <li>d. <b>Any activities screened as involving significant risks to labor rights</b>, health and safety of employees, and harmful child or forced labor.</li> <li>e. <b>Any revision to laws that involves loosening of environmental and social protections</b> or is unable to maintain or enhance environmental and social protections.</li> </ul>	<p>Apply an exclusion list included in the ESMF and ESMS as part of the screening processes conducted under action 1.2.a and 1.2b above. Screen subprojects before determining whether they are eligible to receive support from the project.</p>	<p>MoE ODIMM</p>
9.3	<p><b>FI ORGANIZATIONAL CAPACITY</b>                      ODIMM shall and shall cause each PFI to establish and maintain an organizational capacity and competency for implementing each ESMS with clearly defined roles and responsibilities including a trained E&amp;S focal point.</p>	<p>ODIMM to confirm capacity in place for each ESMS prepared and adopted before carrying out screening of any proposed FI subproject.</p>	<p>ODIMM</p>
9.4	<p><b>SENIOR MANAGEMENT REPRESENTATIVE</b>                      ODIMM shall and shall cause each PFI to designate a senior management representative to have overall accountability for environmental and social performance of Credit Guarantees and associated Sub loans to MSMEs that receive support from the Project.</p>	<p>Confirm representative designated for each ESMS prepared and adopted before carrying out screening of any proposed FI subproject.</p>	<p>ODIMM</p>
<p><b>ESS 10: STAKEHOLDER ENGAGEMENT AND INFORMATION DISCLOSURE</b></p>			



MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY
10.1	<p><b>STAKEHOLDER ENGAGEMENT PLAN PREPARATION AND IMPLEMENTATION</b></p> <p>Adopt and implement a Stakeholder Engagement Plan (SEP) for the Project, consistent with ESS10, which shall include measures to, inter alia, provide stakeholders 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.</p> <p><b>ODIMM and each PFIs ESMS will include guidelines for developing and implementing their own external communications mechanisms</b> to enable beneficiaries and those who believe that are adversely impacted by the grant or credit guarantee activities to submit complaints, feedback, inquiries, and suggestions. These may involve a range of issues including those related to child and forced labor, health and safety of workers, workplace harassment. The mechanisms should allow submission of anonymous grievances.</p>	<p>Adopt SEP no later than effectiveness and thereafter implement the SEP throughout Project implementation</p> <p>Guidelines for external communications mechanisms included in the ODIMM ESMS no later than sixty (60) days after effectiveness and included in each PFI ESMS prior to signing guarantee agreement</p>	<p>MoE ODIMM</p>
10.2	<p><b>PROJECT GRIEVANCE MECHANISM</b></p> <p>Establish, publicize, maintain, and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances in relation to the Project, promptly and effectively, in a transparent manner that is culturally appropriate and readily accessible to all Project-affected parties, at no cost and without retribution, including concerns and grievances filed anonymously, in a manner consistent with ESS10.</p> <p>The grievance mechanism shall be equipped to receive, register, and facilitate the resolution of SEA/SH complaints, including through the referral of survivors to relevant gender-based violence service providers, all in a safe, confidential, and survivor-centered manner.</p>	<p>Establish the Grievance Mechanism no later than thirty (30) days after effectiveness and thereafter operate and maintain throughout Project implementation.</p>	<p>MoE</p>
<b>CAPACITY SUPPORT</b>			
CS1	<p><b>The MoE shall develop a training plan for ODIMM and PFIs</b>, with adequate budget, providers and timeframe. Training will be required for ODIMM and PFI staff on:</p> <ul style="list-style-type: none"> <li>• Screening and risk classification for Credit Guarantees and associated sub-loans</li> <li>• Monitoring and reporting on environmental and social performance of subprojects and ESMS effectiveness</li> <li>• Stakeholder mapping and engagement</li> <li>• Occupational health and safety</li> <li>• Labor working conditions and associated inspections</li> </ul>	<p>MoE will deploy E&amp;S specialist trainer to develop and implement the training plan assist ODIMM to conduct this training for each PFI prior to signing guarantee agreement.</p>	<p>MoE</p>