

**Republic of Moldova
Ministry of Economy**

**MOLDOVA MSME COMPETITIVENESS
PROJECT (P177895)**

**ENVIRONMENTAL & SOCIAL
COMMITMENT PLAN (ESCP)
Draft for consultation**

Chisinau, 2022

ENVIRONMENTAL AND SOCIAL COMMITMENT PLAN

1. The Republic of Moldova (the **Recipient**) shall implement the Moldova MSME Competitiveness Project (the **Project**) with the involvement of the following Ministries/agencies/units: Ministry of Economy (**MOE**) and the Credit Guarantee Fund (GCF) of the Organization for Small and Medium Enterprises Sector Development (ODIMM). The *International Bank for Reconstruction and Development (hereinafter **the Bank**)* has agreed to provide financing for the Project. The Project will support efforts by the government to increase the export competitiveness of Moldovan enterprises, reduce the regulatory burden they face, and increase access to finance to enterprises.
2. The Republic of Moldova 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 Republic of Moldova will also comply with the provisions of any other E&S documents required under the ESF and referred to in this ESCP, such as the Environmental and Social Management Framework (ESMF) Environmental and Social Management Systems (ESMS), Labor Management Procedures (LMP), and Stakeholder Engagement Plan (SEP), and the timelines specified in those E&S documents.
4. The Republic of Moldova is responsible for compliance with all requirements of the ESCP even when implementation of specific measures and actions is conducted by the Ministry, agency or unit referenced in 1. above.
5. Implementation of the material measures and actions set out in this ESCP will be monitored and reported to the Bank by the Recipient as required by the ESCP and the conditions of the legal agreement. The Bank will monitor and assess the progress and completion of the material measures and actions throughout the implementation of the Project.
6. As agreed by the Bank 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 an assessment of Project performance conducted under the ESCP. In such circumstances, the Recipient will agree to the changes with the Bank 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 Bank and the Recipient. 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 |
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| MONITORING AND REPORTING | | | |
| A | REGULAR REPORTING: Prepare and submit to the Bank regular monitoring reports on the environmental, social, health, and safety (ESHS) performance of the project, including but not limited to stakeholder engagement activities and grievances log. | Half Yearly throughout Project implementation | MOE |
| B | INCIDENTS AND ACCIDENTS: Promptly notify the Bank of any incident or accident related to the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers. Provide sufficient detail regarding 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 supervising entity, as appropriate. Subsequently, as per the Bank's request, prepare a report on the incident or accident and propose any measures to prevent its recurrence. | Through Project implementation The MoE will notify the Bank within 48 hours after learning of the incident or accident. A report will be provided within a timeframe acceptable to the Bank. | MOE |
| ESS 1: ASSESSMENT AND MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS | | | |
| 1.1 | ORGANIZATIONAL STRUCTURE: a. Ministry of Economy (MOE) shall maintain the existing PIU with qualified staff and resources to support the management of ESHS risks and impacts of the project, including an environmental and social risk focal point. b. The Organization for Small and Medium Enterprises Sector Development (ODIMM) shall hire environmental and social specialist(s) / consultant(s) to manage its Environmental and Social Management System. c. PFI's shall maintain environmental and social focal points to manage their Environmental and Social Management Systems. | a. The PIU should maintain its E&S staff throughout project implementation. b. ODIMM shall hire and maintain its environmental and social specialist / consultant by project effectiveness. c. PFIs to maintain environmental and social focal points prior to receipt of credit guarantees | MOE ODIMM PFIs |
| 1.2 | ENVIRONMENTAL AND SOCIAL ASSESSMENT/MANAGEMENT PLANS AND INSTRUMENTS/ CONTRACTORS: a. Assess the environmental and social risks and impacts of proposed Project activities under Components One and Three in accordance with the Environmental and Social Management Framework (ESMF) prepared for the project, the ESSs, and the Environmental, Health and Safety Guidelines (EHSGs). The ESMF includes a template for Environmental and Social Management Plans (ESMP). Assessment includes ensuring that business development plans and provision of equipment under component three are screened for E&S risks and relevant assessments and plans are applied to matching grant activities where relevant. b. Prepare and implement Environmental and Social Management Systems (ESMS) under Component Two for ODIMM and Participating Financial Institutions (PFI) ensuring that they assess the environmental and social risks and impacts of the proposed credit guarantees provided under the Credit Guarantee Facility (CGF) and of the MSME activities financed by on-lending from PFIs that is backed by the credit guarantees. | a. ESMF for component one and three prepared by Appraisal and implemented upon effectiveness b. ODIMM ESMS prepared by effectiveness and adopted before disbursement of project funds. PFI ESMS prepared and adopted before provision of credit guarantees to the PFI. c. Before provision of loans backed by credit guarantees and before provision of matching grants ensure participating firms comply with the ESHS specifications in their contracts. | MOE ODIMM PFIs |

| | <p>c. Prepare, disclose, adopt, and implement any environmental and social management plans or other tools required for the respective Project activities as per the screening process, in accordance with the ESSs and the ESMF (component one and three) and ESMS (component two), in a manner acceptable to the Bank.</p> | | |
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| MATERIAL MEASURES AND ACTIONS | | TIMEFRAME | RESPONSIBLE ENTITY/AUTHORITY |
| 1.3 | <p>EXCLUSIONS: The following type of activities shall not be eligible for finance under the project:</p> <ul style="list-style-type: none"> a. Any activities which may be associated with significant risks and impacts 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. b. Any activities located in protected areas, critical and non-critical habitats or culturally or socially sensitive areas, along with subprojects that might have impacts on international waterways, as River Prut, Dniester, or Danube Delta c. Any activities that involve physical or economic displacement. 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. d. Any activities screened as involving significant risks to labor rights, health and safety of employees, and harmful child or forced labor. e. Any revision to laws that involves loosening of environmental and social protections or is unable to maintain or enhance environmental and social protections. <p>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.</p> | <p>An exclusion list included in the ESMF and ESMS shall be applied as part of the screening processes conducted under action 1.2.a and 1.2.b above.</p> | <p>MOE ODIMM PFIs</p> |

| ESS 2: LABOR AND WORKING CONDITIONS | | | |
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| 2.1 | <p>LABOR MANAGEMENT:</p> <ul style="list-style-type: none"> a. Labor Management Procedures (LMP) including worker Grievance Mechanism (GM) have been prepared as a standalone document and will be implemented in conjunction with the project ESMF (for component one and three) in accordance with the applicable requirements of ESS2 and include codes of conduct to prevent and manage incidents of SEA/SH. b. ODIMM and PFIs will 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 two) and apply to direct and contracted workers of PFIs and include codes of conduct to prevent and manage | <ul style="list-style-type: none"> a. LMP prepared, consulted on and included in the ESMF (for components one and three) by Appraisal. b. LMP prepared and included in the ODIMM ESMS by Effective Date and LMP prepared and included in the PFI ESMS prior to PFI receipt of credit guarantees. | <p>MOE ODIMM PFIs</p> |

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| | <p>incidents of SEA/SH.</p> <p>c. The project shall implement necessary protocols under the project ESMF (component one and three) and ESMS (component two) for screening participating ESME loan applicants 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> | c. Screening of participating ESMS loan applicants for labor practices will be implemented throughout the life of the project | |
| ESS 3: RESOURCE EFFICIENCY AND POLLUTION PREVENTION AND MANAGEMENT | | | |
| 3.1 | <p>Relevant aspects of this standard shall be considered, as needed, under action 1.2a above for component three 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>For component two ODIMM ESMS, and the corresponding PFI ESMS will screen activities and include relevant measures in ESMPs where necessary.</p> <p>Any activities of project beneficiary MSMEs which may be associated with significant impacts on the environment will be rated as high or substantial risk and will be considered ineligible for project financing.</p> | Throughout Project implementation. | <p>MOE</p> <p>ODIMM</p> <p>PFI</p> |
| ESS 4: COMMUNITY HEALTH AND SAFETY | | | |
| 4.1 | <p>Relevant aspects of this standard shall be considered, as needed, under action 1.2a above for component three in the ESMF, 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>For component two ODIMM ESMS, and the corresponding PFI ESMS will screen activities and include relevant measures in ESMPs where necessary.</p> <p>Any activities of project beneficiary MSMEs which may be associated with significant impacts 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. | <p>MOE</p> <p>ODIMM</p> <p>PFI</p> |
| ESS 5: LAND ACQUISITION, RESTRICTIONS ON LAND USE AND INVOLUNTARY RESETTLEMENT | | | |
| | Not relevant. 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. | Not relevant | Not relevant |
| ESS 6: BIODIVERSITY CONSERVATION AND SUSTAINABLE MANAGEMENT OF LIVING NATURAL RESOURCES | | | |

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| | Not relevant. Exclusions apply | Not relevant | Not relevant |
| ESS 7: INDIGENOUS PEOPLES/SUB-SAHARAN AFRICAN HISTORICALLY UNDERSERVED TRADITIONAL LOCAL COMMUNITIES | | | |
| | Not relevant. | Not relevant | Not relevant |
| ESS 8: CULTURAL HERITAGE | | | |
| | Not relevant. Chance finds procedures to be included in ESMF and ESMS | Not relevant | Not relevant |
| ESS 9: FINANCIAL INTERMEDIARIES | | | |
| | <p>ODIMM and each PFI shall develop and implement satisfactory ESMSs as defined under ESS9 and will ensure that the necessary capacity, commitment and governance is in place to adequately manage the E&S risks of its lending activities.</p> <p>ODIMM and each PFI will designate a senior management official with oversight responsibility and sufficient number of competent technical staff to implement the ESMS.</p> <p>ODIMM and each PFIs ESMS will provide instructions on how subprojects will be screened for environmental and social risks and how the risk level of the guarantee beneficiaries will be monitored.</p> <p>The E&S procedures for each guarantee beneficiary firm will include a simple process for (i) screening against the WBG Exclusion List and the national E&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 gurantee financing; (iii) applying any relevant requirement of the ESSs through the use of environmental and social action plans (ESAPs) where necessary; and (iv) monitoring any corrective actions proposed for the sub-project. The ESAPs will be prepared and implemented by MSME beneficiaries after review and approval by PFIs and ODIMM.</p> <p>ODIMM and the PIU shall review each PFI ESMS for consistency with the ODIMM ESMS and with ESS9 requirements. 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>ODIMM and PIU will report to the Bank semi-annually on the performance of guarantee beneficiaries. MOE shall facilitate the 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> | <p>ODIMM ESMS prepared by effectiveness and adopted before disbursement of project funds.</p> <p>Each PFI ESMS prepared and adopted before provision of credit guarantees to the PFI.</p> | <p><i>MOE</i> <i>ODIMM</i> <i>PFIs</i></p> |
| ESS 10: STAKEHOLDER ENGAGEMENT AND INFORMATION DISCLOSURE | | | |

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| 10.1 | <p>STAKEHOLDER ENGAGEMENT PLAN: Prepare, disclose, adopt, and implement a Stakeholder Engagement Plan (SEP) consistent with ESS10, in a manner acceptable to the Bank, which shall include, inter alia, measures to provide stakeholders with timely, relevant, understandable and accessible information, and consult with them.</p> <p>ODIMM and each PFIs ESMS will include guidelines for developing and implementing their own external communications mechanisms to enable beneficiaries and those who believe they 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>A draft SEP prepared and disclosed, and shall be consulted by Appraisal.</p> <p>Guidelines for external communications mechanisms included in the ODIMM ESMS by effectiveness and included in each PFI ESMS before provision of guarantees to the PFI</p> | <p>MOE ODIMM PFIs</p> |
| 10.3 | <p>GRIEVANCE MECHANISM: An accessible grievance mechanism shall be established, publicized, maintained and operated 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>a. The grievance mechanism shall also receive, register and address concerns and grievances related to the sexual exploitation and abuse, sexual harassment in a safe and confidential manner, including through the referral of survivors to gender-based violence service providers.</p> | <p>The GRM to be prepared by Appraisal and shall be maintained throughout Project implementation.</p> | <p>MOE ODIMM PFIs</p> |
| CAPACITY SUPPORT (TRAINING) | | | |
| | <p>The PIU shall develop a training plan for ODIMM and PFIs, with adequate budget, providers and timeframe. ODIMM will deploy E&S specialist trainer to assist with capacity building in the establishment of PFI ESMS where additional efforts are required.</p> | <p>No later than 60 business days after the Effective Date and periodically with the addition of new Project team members join the project throughout implementation.</p> | <p>MOE ODIMM</p> |