

**Moldova MSME Competitiveness Project
(P177895)**

**Stakeholder Engagement Plan
(SEP)**

Chisinau, 2022

ABBREVIATIONS AND ACRONYMS

| | |
|-------|--|
| CEP | Competitiveness Enhancement Project |
| CGF | Credit Guarantee Fund |
| ESF | Environmental and Social Framework |
| ESS | Environmental and Social Standards |
| ESMF | Environmental and Social Management Framework |
| ESMP | Environmental and Social Management Plan |
| ESMS | Environmental and Social Management System |
| GHG | Greenhouse Gas |
| GM | Grievance Mechanism |
| IA | Investment Agency |
| ISR | Implementation Status and Results Report |
| LMP | Labor Management Procedures |
| MGF | Matching Grants Facility |
| MoE | Ministry of Economy |
| MoF | Ministry of Finance |
| MMIP | Mechanism for Managing and Issuing Permits |
| MSME | Micro, Small and Medium Enterprise |
| NBM | National Bank of Moldova |
| NPL | Non-Performing Loan |
| ODIMM | Organization for Small and Medium Enterprises Sector Development |
| OHS | Occupational Health and Safety |
| POM | Project Operations Manual |
| PBC | Performance Based Condition |
| PDO | Project Development Objective |
| PFI | Participating Financial Institution |
| PFoR | Program for Results Financing |
| PIU | Project Implementing Unit |
| RBF | Results Based Financing |
| RoE | Return on Equity |
| RIA | Regulatory Impact Analysis |
| SEP | Stakeholder Engagement Plan |
| SME | Small and Medium Enterprise |
| WBG | World Bank Group |

GLOSSARY OF KEY TERMS

Consultation - The process of providing stakeholders with opportunities to express their views on project opportunities, risks, impacts and mitigation measures by gathering information or advice from stakeholders and taking these views into account when making project decisions and/or setting targets and defining strategies.

Disadvantaged and Vulnerable Stakeholders - Individuals or groups who may be more likely to be adversely affected by the project impacts and/or more limited than others in their ability to take advantage of a project's benefits. Such an individual/group is also more likely to be excluded from/unable to participate fully in the mainstream consultation process and may require specific measures and/or assistance to participate. Such measures take into account considerations relating to age, including the elderly and minors, and including in circumstances where they may be separated from their family, the community or other individuals upon which they depend.

Disclosure – The provision of information as a basis for consultation with project stakeholders. Involves prior disclosure and dissemination of relevant, transparent, objective, meaningful and easily accessible information in a timeframe that enables meaningful consultations with stakeholders in a culturally appropriate format, in relevant local language(s) and is understandable to stakeholders;

Engagement - A continuous two-way process in which an implementing agency, company or organization builds and maintains constructive and sustainable relationships with stakeholders impacted over the life of a project. This is part of a broader stakeholder engagement strategy, which also encompasses governments, civil society, employees, suppliers, and others with an interest in the Project.

Environmental and Social Assessment - An assessment comprising various social and environmental studies which aim to identify project risks and impacts and design appropriate mitigation measures to manage these and to enhance positive impacts and outcomes.

Grievance Mechanism - A process for receiving, evaluating, and facilitating resolution of concerns and grievances from project-affected parties related to environmental and social performance of the project as well as other project-related concerns from citizens and other interested stakeholders. This may utilize existing formal and information mechanisms supplemented as needed with project-specific arrangements but does not prevent access to judicial remedies.

Micro, Small and Medium Enterprises – Beneficiary business enterprises that receive financing or support from the project. As defined by Moldovan law, a micro enterprise has at most 9 employees, annual turnover of up to 9 million lei or total assets of up to 9 million lei; a small enterprise has 10-49 employees, annual turnover of up to 25 million lei or holds total assets of up to 25 million lei; a medium-sized enterprise has 50-249 employees, annual turnover of up to 50 million lei or total assets of up to 50 million lei.

Non-Governmental Organizations - Private organizations, often not-for-profit, that facilitate community development, local capacity building, civil society advocacy, and environmental protection.

Project-Affected Communities – Local communities consisting of groups of people living in close proximity to the project. Such communities may host or otherwise be positively or negatively affected by business activities undertaken by project beneficiaries as a result of project financing and support.

Stakeholders - Project-affected and other interested parties. These are individuals or groups who are affected or likely to be affected by the project, and those who may have an interest in the project and/or the ability to influence its outcome, either positively or negatively. This may include beneficiary business enterprises, partner organizations, workers and their organizations, local communities, national and local authorities, neighboring projects, and nongovernmental organizations.

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1. INTRODUCTION AND PURPOSE OF STAKEHOLDER ENGAGEMENT PLAN

This Stakeholder Engagement Plan (SEP) identifies the main project-affected and interested stakeholders of the Moldova Micro, Small and Medium Enterprise (MSME) Competitiveness Project (P177895) and describes their interests and engagement needs in relation to the project. The SEP reviews relevant national law and World Bank requirements for stakeholder engagement and information disclosure, summarizes the stakeholder engagement that has been undertaken by the project during preparation and proposes a program of engagement measures to be undertaken during project implementation. It describes roles, responsibilities, timeframe and budget for implementing this program. The SEP also describes a project-level Grievance Mechanism designed to facilitate receipt and response to feedback and concerns associated with the project. The SEP has been prepared to meet the requirements of Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure under the World Bank Environmental & Social Framework (ESF) and will be updated and implemented for the life of the Project. The SEP is to be implemented in conjunction with the project's Environmental and Social Management Framework (ESMF), Labor Management Procedures (LMP) and Environmental and Social Management Systems (ESMS) of Participating Financial Institutions in accordance with the project Environmental and Social Commitment Plan (ESCP).

1.1. Background

The World Bank is extending support to the Republic of Moldova under a proposed new Micro, Small and Medium Enterprise (MSME) Competitiveness Project (P177895) for US\$50 million with three main components: Component 1 - Digitization and Regulatory Reform, Component 2 - Access to Finance, and Component 3 - MSME Development and Export Competitiveness. The project's development objective is to increase the export competitiveness, reduce the regulatory burden, and increase access to finance for Moldovan enterprises.

The design of the project will include a number of Performance-Based Conditions (PBCs) in support of key reforms under all Components and disbursement conditions under Component 2. The project will also include an amount for technical assistance for key measures in all three components. The project implementation period will be five years. In addition, a Project Management component will be included, with a Project Implementation Unit (PIU) based in the Ministry of Economy (MoE).

The project is expected to be approved by the Bank Board of Executive Directors before the end of FY 2022.

The project design responds to existing challenges related to MSMEs competitiveness development, which have been amplified by the COVID pandemic. COVID-19 led to a state of emergency in Moldova curtailing freedom of assembly and accelerating an already existing process of economic contraction and pressure on livelihoods due to effects on agricultural production of a severe drought in 2020, with an estimated increase of poverty by 15.5 percent in 2020. According to 2020-2021 Enterprise Survey, 54.5 percent of Moldovan export businesses reduced hours worked and registered a greater reduction of full time and temporary workers than non-exporters. The country's population is undergoing significant demographic changes characterized by low fertility rates, rather low life expectancy and aging population, with economic and social implications, such as pressure on social security. Migration from the Republic of Moldova has progressively increased, and the number of working age population currently abroad is estimated at one third. COVID-19 has also led to loss of liquidity for export-oriented companies as they decreased supply of inputs due to lack of working capital leading to potential loss of market share. In terms of public governance at central level, Moldovan government has been characterized by constant change in recent years impacting on the ability of line agencies to build and retain

capacity.

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). These are defined in the Environmental and Social Commitment Plan (ESCP), which sets out material measures and actions, any specific documents or plans, as well as the timing for each of these. The Republic of Moldova committed to comply with the provisions of any other E&S documents required under the ESF, such as the Environmental and Social Management Framework (ESMF) Environmental and Social Management Systems (ESMS), Labor Management Procedures, and Stakeholder Engagement Plan (SEP). The present SEP is also aimed to respond to these commitments.

The MSME Competitiveness Project will operate in this environment briefly described above.

1.2. Purpose of Stakeholder Engagement Plan

The purpose of this Stakeholder Engagement Plan (SEP) is to identify potential project-affected and interested parties, outline measures for engagement with these stakeholders and define the institutional roles and responsibilities, timeline, and budget for conducting the stakeholder engagement.

Key project-affected stakeholders include up to a few thousand beneficiary MSMEs mainly in agricultural production, agro-processing, small-scale manufacturing but potentially extending to other sectors, Participating Financial Institutions (PFIs) including up to 11 commercial banks extending loans backed by credit guarantees to MSMEs, ODIMM (the Organization for Small and Medium Enterprises Sector Development) involved in the technical implementation under the PIU for Credit Guarantee Fund activities, units within the implementing agency, the Ministry of Economy, other national agencies, and local administrations at municipal, regional, and district levels. Potentially disadvantaged and vulnerable stakeholders, for which this SEP is also aimed at promoting engagement include female-led businesses, MSMEs led by entrepreneurs from disadvantaged groups or regions, vulnerable workers hired by beneficiary MSMEs and their contractors, and local communities host to the activities of beneficiary MSMEs. Other interested parties include other IFIs, NGOs, and organizations that support the MSME sector and engage with ODIMM. Stakeholders may differ for project components, for example MSMEs participating in matching grant and TA activities under Component 3 (MSME Development) are unlikely to be the same MSMEs that receive loans backed by credit guarantees under Component 2 (Access to Finance), however there may be some overlap. Likewise stakeholders for Component 1 (Digitization and Regulatory Reform) are much harder to disaggregate since the component finances upstream policy and process changes.

Another purpose of the Stakeholder Engagement Plan is to provide all project affected and interested stakeholders with information and awareness on the availability of the project Grievance Mechanism (GM). The PIU under the Ministry of Economy has established a project-level GM described further in this SEP, and will maintain it throughout project implementation dedicating sufficient resources and staff time to GM management. The GM includes provisions for appropriate procedures and training to handle complaints associated with sexual exploitation and abuse (SEA) / sexual harassment (SH) in a sensitive and confidential manner and referral to a specialist national service provider upon survivor request, including providing contact details of the Trust Line for Women and Girls 0 8008 8008, which is managed by La Strada¹. We note that the emergency line 112 service also will redirect all calls coming from women-victims of domestic violence to the Trustline for Women and Girls, in the cases when the beneficiary refuses police intervention or is in a state of crisis and requires emotional support and psychological counselling.

Another key purpose of this SEP is to provide guidance to ODIMM and PFIs to prepare stakeholder

¹ <http://lastrada.md/eng/hotlines>

engagement procedures consistent with ESS10 and integrate them into the ODIMM ESMS and PFI Environmental and Social Management Systems (ESMS) to ensure effective consultation on the implementation of the credit guarantees and sub-loan activities. They will supplement the external communications mechanisms of the PIU and participating PFIs in their ESMS for receiving and addressing any project-related feedback or grievances.

PFIs that select and provide credit loans backed by the partial guarantees will need to monitor their prospective beneficiaries ensuring they undertake stakeholder engagement activities and disclose subproject related ES documents required under the ESF. PIU will support ODIMM to monitor stakeholder engagement activities and ensure that they are provided with timely GM reports from PFIs and MSMEs. In addition, ODIMM and PFIs will disclose a summary of their ESMSs on their websites.

2. PROJECT DESCRIPTION

2.1. Overall Development Objective and Project Components

The Project's Development Objective (PDO) is i) to reduce the regulatory burden, increase access to finance, and increase the export competitiveness of Moldovan enterprises and (ii) in case of an Eligible Crisis or Emergency, respond promptly and effectively to it.

This will be achieved through a set of activities that aim to: a) digitize government to business services and inspections, streamline permissive documents, and enhance national quality infrastructure to reduce the regulatory burden enterprises face (Component 1); b) support access to finance for enterprises through credit guarantees and enhance the capacity of the Credit Guarantee Fund (CGF) (Component 2), and c) support the development of micro, small and medium-sized enterprises (MSMEs) and enhance their export competitiveness (Component 3) budget for project management (Component 4) and provision of an unfunded contingency component to be activated in case of emergency events (Component 5).

The operation will have five Components:

Component 1 (US\$21.1 million): Regulatory Reform and Digitization

Activities will focus on scaling up digitization of Government to Business (G2B) services (permissive documents, authorizations, etc.) promoting integrated service delivery and reducing regulatory burden for private sector and increase competitiveness in the post-COVID recovery. This will be complemented with digitizing and enhancing capacity of inspections (equipping them, improving e-Inspection management system, and enabling risk-based inspections). Relevant regulatory reform as needed to implement digitization, as well as reforms linked with regulatory simplification, will complement digitization. This involves a) scale-up of digitization of G2B services (permits, licenses, approvals, notifications, etc.); b) enhance and upgrade e-Inspection system to enable proper inspection planning and implementation of field inspection visits; and c) simplification will involve process re-engineering, including export-import processes, laws and regulations to enable more conducting digital trade and services.

Component 2 (US\$15 million): Access to Finance

The objective of Component 2 is to unlock financial intermediation to MSMEs by addressing high collateral requirements and the heightened risk aversion of financial institutions to MSMEs in Moldova through public portfolio partial credit guarantees. Component 2 will benefit private MSMEs, with no more than 249 employees, annual turnover up to 50 million lei, and total assets up to 50 million lei. The Project will support public credit guarantees for both investment loans and working capital loans by commercial banks via the CGF. The Project will finance the provision of portfolio public credit guarantees to MSMEs through capitalization of the CGF (~US\$14.5

million) and will also provide technical assistance (TA) (up to US\$0.5 million) to strengthen ODIMM/CGF's institutional capacity to facilitate access to finance for MSMEs.

Component 3 (US\$ 13 million): MSME Development and Export Competitiveness

Activities under this Component will support firms through matching grants, export readiness, supplier linkages, and export promotion programs. The planned activities are linked with the Government's goals of simplifying the rules for MSME operation, supporting business establishment, growth and internationalization, enabling more efficient support programs for MSMEs, as well as facilitating the inflow of investments. The tools provided under this Component will help companies to address some of the current shortcomings, thus improving competitiveness and enabling export.

Component 4: Project management (US\$0.9 million)

Component 5: Contingency Emergency Response Component (US\$0 million)

This is an unfunded contingency component that can be activated in case of a relevant emergency event. Following an eligible crisis or emergency, the Borrower may request the World Bank to reallocate Project funds to support an emergency response. Once triggered, this component will draw from the then uncommitted loan resources under the Project to address the emergency. Eligible crisis or emergency is any event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Borrower, associated with a natural or man-made crisis or disaster. This design of the activities to be carried out under this component will consider the context of the COVID-19 pandemic and the recent geopolitical risks in the region whereby additional social protection measures may be required, as well as response to any other large shocks that may manifest. Therefore, the CERC is not limited to certain sectors, regions, or specific activities. The definition of eligible emergency and a positive list of activities will be included in the Loan Agreement and in the CERC Manual annex included as part of the Project Operations Manual (POM).

The operation includes a Contingency Emergency Response Component (CERC) that if activated will allow for uncommitted loan resources to be reallocated to respond to an emergency. Also, even though Moldova graduated from IDA in July 2020, it was granted exceptional access to IDA funding of US\$63.2 million from the Crisis Response Window (CRW), for FY21 only, and then in FY22, on IDA Blend terms, with the CRW economic crisis triggers and its allocation methodology for economic crises waived for this access, to assist the country in responding to urgent COVID-19 related needs.² The FY22 allocation (and the uncommitted US\$18.2 million balance from the CRW allocation of FY21) is to be partly absorbed by the Project in the amount of US\$31.4 million.

The Project Operations Manual (POM) will include an annex for the CERC (the CERC Manual), detailing the operational, fiduciary, and disbursement details for activating and implementing the CERC. The PIU will be responsible for the day-to-day management of the CERC. To activate the CERC, the Government will (a) determine the eligible crisis or emergency and send a request to the World Bank for support through the CERC and (b) prepare and submit to the World Bank for approval an emergency action plan (EAP) for the use of CERC funds. In turn, the World Bank will ensure that all ESF instruments, adequate staff capacity, and resources are in place. Once the disbursement conditions are fulfilled and World Bank confirms compliance, the reallocation of uncommitted funds from the original project components to the CERC is processed based on the EAP, and disbursements for CERC activities may commence. A separate DA will be opened for the CERC. The CERC will be audited as part of the audit of the Project.

² Performance and Learning Review of the Country Partnership Framework for Republic of Moldova for the period FY18-21, April 22, 2021.

In case decision is made to activate the CERC an addendum to the ESMF will be prepared and outline an environmental and social risk screening process built on the positive list of activities likely to be financed under the CERC component and identify institutional arrangements for oversight of any additional required due diligence and monitoring measures. The ESMF Addendum will describe the objectives and scope of any additional CERC-financed activities and indicate whether they are new activities or expansion in activities already described in the ESMF. It will review any additional applicable national laws and regulations that govern that implementation of the CERC-financed activities and describe institutional roles and responsibilities for their implementation and for the environmental and social assessment and management of risks associated with their implementation. The ESMF addendum will include a positive and negative list of activities to be financed under the CERC and indicate whether they are existing or new activities under the project. It will describe their scale, scope, potential locations and analyze the potential negative risks and impacts associated with their implementation. It will describe the procedure for screening and addressing the risks and impacts associated with each activity as well as arrangements for monitoring and reporting, grievance redress, consultations and information disclosure, budget and required resources. The project Stakeholder Engagement Plan (SEP) and Labor Management Procedures (LMP) may be updated to describe additional stakeholder analysis, engagement programming and labor requirements as identified after activation of the CERC.

2.2. Project Location

Project activities will occur across the country and are projected to involve from a few hundred up to a few thousand MSMEs. Financial intermediation via a credit guarantee fund that will partner with up to 11 domestic banks for the provision of guarantees for loans to MSMEs will provide financing opportunities irrespective of subregional location. Similar activities under the previous project (CEP2) involved loans that were broadly geographically distributed with 33 percent of loans made to participating MSMEs in Chisinau, 21 percent in other parts of the central region, 24 percent made to companies in the south of the country and 22 percent in the north. Technical assistance and matching grants will also involve a range of MSMEs for preparation of business plans and purchase of equipment and materials to facilitate production (examples include moderate amounts of sewing machines, packing equipment, electricity generators, piston pumps, barrels). Matching grants are likely to target different MSMEs to those participating in the financial intermediation component with some minor overlap. The small scale of each activity and general disbursement throughout the country will be monitored and managed at a portfolio level for adverse cumulative impacts.

The project implementation period will be five years.

3. POLICY AND REGULATORY REQUIREMENTS FOR CONSULTATION AND DISCLOSURE

3.1. Pertinent Legislation of the Republic of Moldova

Moldova has the following citizen/stakeholder engagement legislation that relates to both the right to access to information and participation in policy development and decision-making:

The Constitution of the Republic of Moldova, article 34 on Right of Access to Information provides the following:

- (1) The right of a person to have access to any kind of information of public interest shall not be curtailed.
- (2) Public authorities, according to their assigned competence, shall be committed to ensure that citizens are correctly informed both on public affairs and issues of personal interest.
- (3) The right of access to information shall not prejudice neither the measures taken to protect the citizens nor the national security.

- (4) The State and private public media shall be bound to provide the correct information of the public opinion.
- (5) The public media shall not be subject to censorship.

Law No.982 / 2000 on Access to Information, as amended in 2003-2011-2015-2018

The law regulates:

- a) the interaction between the providers of information and individuals and/or legal entities during the exercise of their constitutional right to access information.
- b) the principles, conditions, ways and order of accessing official information held by the providers of the information.
- c) the obligations of information providers to ensure access to official information.
- d) methods of safeguarding the right to information.

Law No.64 / 2010 on Freedom of Expression, as amended in 2012-2013-2015

This law guarantees right to freedom of expression and regulates the balance between right to freedom of expression and protection of private and family life.

Law No.239 / 2008 on Transparency in Decision Making

The law refers to the transparency of information linked with the decision-making process and to the consultation of stakeholders when drafting decisions. The consultation during the decision-making process aims at collecting, providing and exchanging information. The consultation with and involvement of citizens, civil society, and business environment in certain major issues guarantees a higher value of documents drafted and approved by the authorities and their support at the implementation stage. According to this law, citizens have the right:

- a) to participate, under the conditions of law, to any stage of the decision-making process.
- b) to request and obtain information regarding the decision-making process, including receiving the draft decisions accompanied by the related materials, according to the Law on access to information.
- c) to propose to the public authorities, the initiation of the elaboration and the adoption of the decisions.
- d) to submit to the public authorities' recommendations regarding the draft decisions under discussion.

For the purpose of ensuring transparency in decision-making, the law requires public authorities to comply with the following stages:

- a) informing the public that the drafting of the decision has started.
- b) providing the draft decision with accompanying materials to the stakeholders.
- c) consulting the citizens, organizations and other stakeholders.
- d) examining the recommendations of citizens, organizations created pursuant to the law, and other stakeholders when drafting decisions.
- e) informing the public regarding the decisions adopted.

(Article 11 of this law regulates the process of consultation and stipulates that the consultation of citizens, associations established in accordance with the law, other interested parties is ensured by the public authority responsible for drafting the decision in the following ways: public debates, public hearings, opinion polls, referendum, requesting the opinions of experts in the field, creation of permanent or ad-hoc working groups with the participation of civil society representatives.

(2) The consultation shall be carried out:

- a) at the initiative of the public authority responsible for drafting the decision;
- b) at the initiative of another public authority, according to the competence;
- c) at the proposal of the citizen, to the association established in accordance with the law, to another interested party.

The same article provides that the notice of organization of public consultations and related materials shall be made public at least 15 working days before the finalization of the draft decision.

The Administrative Code of Republic of Moldova, No.116/2018

The administrative code establishes procedures for consideration of petitions of citizens addressed to the relevant authorities/bodies (further - "bodies") for the purpose of ensuring protection of petitioners' rights and legitimate interests. In this code the petition is understood as any the statement, claim, suggestion, appeal submitted to competent authorities, including a preliminary application challenging an administrative act or a failure to consider an application within the statutory deadline. The Petitioner/Applicant who is not satisfied with the answer received on the preliminary application or did not obtain an answer within the statutory deadline has the right to appeal to the competent administrative court.

The Petition should be addressed in written or electronic form in the state or other language according to the Law on functioning of languages on the territory of the Republic of Moldova. The Petition must include the name and surname of the petitioner; the petitioner's address and the e-mail; the name of the public authority; the subject of the petition and its motivation; the signature of the petitioner or his legal or authorized representative, and in the case of the petition transmitted in electronic form - the electronic signature. The anonymous or submitted petitions without indicating the petitioner's postal or e-mail address are not examined.

Law No.86 / 2014 on Environmental Impact Assessment, as amended in 2017

This Law sets the basis for the functioning of the mechanism of environmental impact assessment of some public and private projects or some projected economic activities with a view of prevention or reduction the negative environmental impact and protection of public health at the initial stages of project performance. EIA shall be performed in accordance with the following principles: (a) preventive actions; (b) reliability and completeness of information c) principle of transparency and accessibility; d) participatory principle; e) precautionary principle; f) polluter - pays principle. Public consultations for the projects which require a full

EIA are compulsory at the initial stage of the project before preparing the EIA (at the scoping stage) and at a later stage, when the Statement on EIA is disclosed to the public prior to reviewing the final (updated) documentation by the state environmental authority.

Law of the Republic of Moldova no. 134 of 14.06.2007 on mediation

The mediation will be used to resolve disputes as an option where users are not satisfied with the proposed resolution. Law of the Republic of Moldova no. 134 of 14.06.2007 on mediation (hereinafter - the Law on Mediation) is implemented from July 1, 2008. The purpose of the legislation is to regulate mediation as an alternative dispute resolution amicably mediator and mediation process status. Law on Mediation was included as an alternative method for resolving conflicts, a concept that is internationally recognized and promoted in all national legal systems.

Government Order #967 of August 8, 2016³ **on the mechanism for public consultation with civil society in the decision-making process** sets the framework for consultation, describing the step by step tasks, roles and responsibilities of the authorities, including deadlines, consultation methods, and transparency of the adoption of decisions. It also recommends that public administrations update their internal procedures related to the transparency of the decision-making process.

Article 16/1 of this Order stipulates that for the infringement of the respective law, the persons bear disciplinary and administrative responsibility.

Government Order # 11 as of January 19, 2010 created the National Participation Council as an advisory body to the Prime Minister's office, involving the civil society in the policy decision-making process. However, the operation of the National Participation Council has not been regular.

³ https://www.legis.md/cautare/getResults?doc_id=94483&lang=ro

3.2. World Bank Requirements

The Environmental and Social Framework (ESF) of the WB provides a systematic approach to stakeholder engagement for the assessment and management of environmental and social risks and impacts associated with investment project financing operations. Under the ESF, the Environmental and Social Standard (ESS) 10 on Stakeholder Engagement and Information Disclosure describes the objectives and associated requirements for stakeholder engagement and how these are to be applied in conjunction with other standards in the ESF. The requirements for stakeholder engagement under ESS10 which guide the development of this SEP are the following:

- Establish a systematic approach to stakeholder engagement that helps Borrowers identify stakeholders and maintain a constructive relationship with them;
- Assess stakeholder interest and support for the Project and enable stakeholders' views to be considered in Project design;
- Promote and provide means for effective and inclusive engagement with Project-affected parties throughout the Project life-cycle; and
- Ensure that appropriate Project information is disclosed to stakeholders in a timely, understandable, accessible and appropriate manner.

Other standards that are applied in conjunction with ESS10 and are applicable to this project include, but are not limited to:

ESS 1 Assessment and Management of Environmental and Social Risks and Impacts sets out the Borrower's responsibilities for assessing, managing and monitoring environmental and social risks and impacts associated with each stage of a Project supported by the Bank. This includes requirements to engage stakeholders and disclose information on projects risks, impacts and mitigation measures in a manner consistent with the requirements of ESS10.

ESS 2 Labor and Working Conditions enhance the development benefits of a Project by treating workers in the Project fairly and providing safe and healthy working conditions, as well as to support the principles of freedom of association and collective bargaining of Project workers in a manner consistent with national law and provide Project workers with accessible means to raise workplace concerns. Particularly important for the purposes of this SEP is to seek views of labor organizations during consultations on the project's environmental and social assessment, and the requirement for an employment grievance mechanism (separate to the ESS10 GM) and not applicable to community labor.

ESS 4: Community Health and Safety addresses the health, safety, and security risks and impacts on Project-affected communities and to avoid or minimize such risks and impacts, with particular attention to people who, because of their particular circumstances, may be vulnerable. This also includes requirements to engage stakeholders and disclose information on projects risks, impacts and mitigation measures in a manner consistent with the requirements of ESS10.

The table below provides a brief analysis of the gaps and differences between the national legislation and World Bank requirements and details how these gaps will be addressed under the Project.

Table 1. Gap Analysis between the National Legislation and World Bank requirements

| National legislation | World Bank | The Project |
|--|---|--|
| <p>The national legislation does not have provisions for the development of a specific Stakeholder Engagement Plan for public consultations, however the requirement for public consultation and the procedure is clearly described in Law 239 on Transparency in Decision-Making and in Government Order #967 of August 8, 2016 on the mechanism for public consultation with civil society in the decision-making process.</p> | <p>Consultations with stakeholders and public involvement are an integral part in the development and implementation of the SEP.</p> | <p>Moldova currently does not contain express terminology and requirements for developing a Stakeholder Engagement Plan; however, it contains requirements for public consultations in the decision-making process. Although SEP requirements are not provided under the national legislation, the project has developed the present SEP and will carry out a comprehensive consultative process with project - affected persons, local and state authorities, other stakeholders as required through public disclosure meetings, individual consultations and public consultations.</p> |
| <p>The national legislation has provisions that allow citizens to make complaints and grievances, but these provisions do not allow anonymity. The anonymous or submitted petitions without indicating the petitioner's postal or email address are not examined.</p> | <p>The World Bank ESS10 allows the option of anonymous provision of grievances.</p> | <p>The project will apply the WB standard and allow anonymous submission of grievances and complaints.</p> |
| <p>The national legislation does not have special provisions to address the concerns of the vulnerable groups during the consultation process.</p> | <p>The ESS10 specifically provides for the identification and engagement with the vulnerable groups that might be affected by the project to ensure that these groups also benefit from the project activities.</p> | <p>The SEP will identify affected vulnerable persons and engagement mechanisms to ensure that their voice is heard and their concerns are addressed to the extent possible by the project.</p> |
| <p>The national legislation does not have provisions to establish a Project specific GM.</p> | <p>According to the ESS 10 and ESS 2 the Project specific GM should be established and be easily acceptable for all stakeholders at each stage of Project, including specific GM for project workers</p> | <p>The Project specific GM will be established for all stakeholders at each stage of the Project, including GM for all project workers⁴.</p> |

⁴ Directly engaged people (PIU staff and consultants) and contracted workers (people employed or engaged through contractors/ subcontractors that will perform work for specific project activities).

4. BRIEF SUMMARY OF PREVIOUS STAKEHOLDER ENGAGEMENT ACTIVITIES

Specifically for this new Moldova MSME Competitiveness Project the stakeholder engagement activities included consultations and technical discussions with key stakeholders on the concept and design of the proposed project. These discussions were held during October 11 - 15, 2021 during a World Bank Group mission and had involved relevant stakeholders such as the Ministry of Economy, Ministry of Finance, Deputy Prime Minister for Digitization, Organization for Development of Small and Medium Enterprises (ODIMM), Investment Agency, State Chancellery, e-Governance Agency, National Food Safety Agency, Public Services Agency, commercial banks, National Bank of Moldova, Second Competitiveness Enhancement Project (CEP-II) Implementation Unit (PIU), and other stakeholders.

Consultations with beneficiaries, potentially affected stakeholders and other interested parties on the contents of this SEP and GM along with the project ESMF, ESCP and LMP were undertaken from XXX to XXX. Approximately XXX stakeholders attended and XXX provided feedback. Key feedback received from these consultations has been integrated into the programme including XXX, XXX.

The Moldova MSME Competitiveness Project is informed by two previous similar operations. The Implementation Unit of the previous Second Competitiveness Enhancement Project, which is the unit to implement this new MSME Competitiveness project, had previously conducted meaningful consultations with stakeholders who will be engaged in the new project too. These activities can be grouped as follows:

- (1) Stakeholder Engagement under the Second Competitiveness Enhancement Project. The CEP-II project utilized several pro-active stakeholder engagement mechanisms to involve the public and businesses and to consult them on implementation and improvements of project activities – in particularly the regulatory changes. The PIU and clients have been organizing frequent (5-6 annually) formal roundtables and workshops, to discuss project activities linked to the matching grants, OSS for permissive documents, and the RIA with beneficiaries (enabling them to provide feedback and to share their opinions) and to share actions taken based on beneficiaries' feedback (so that MSMEs know what difference their feedback has made to on-going decisions and activities). Each event had a high satisfaction rate of 90 percent, which was measured with a results indicator, above the end of project target of 80 percent. Secondly, the CEP-II project has implemented a beneficiary feedback mechanism for the MGF. Matching grants recipients were contacted once or twice a month to check on progress of implementation, to inquire about matching grant products, and to seek their feedback and collect suggestions for improvement. Based on this feedback, the matching grants manual was amended three times to address beneficiaries' suggestions, and beneficiaries were informed about this. Thirdly, the CEP-II project was supporting the RIA, which is a mechanism for public consultations on new business regulations, by developing an online platform for participatory feedback. The RIA is a formal and permanent government consultation mechanism (notice-and-comment system), where citizens and stakeholders can provide feedback, trace which comments have been addressed, and monitor the status of the regulatory proposal in terms of the government's adoption process. Through the feedback platform citizens have been empowered to participate in the planning and design of new government initiatives. Annual surveys of ODIMM and IA were conducted among the MSMEs to assess, to adjust and to improve the implementation, effectiveness and outreach of the agencies' programs.
- (2) Consultations with stakeholders related to assessment of ODIMM/CGF against the "Principles for Public Credit Guarantee Schemes for SMEs,"⁵. The meetings were conducted virtually in April 2021 and included meetings

⁵ <https://www.worldbank.org/en/topic/financialsector/publication/principles-for-public-credit-guarantee-schemes-cgss-for-smes>

with ODIMM senior management, NBM, and select number of PFIs. Based on these discussions, CGF was found to be observant with several aspects covered by the principles including those relating to legal status, ownership, mandate, supervision, eligibility criteria for beneficiaries and qualification criteria for PFIs, the guarantee coverage (which should be partial). In addition, certain areas for enhancements have been identified to increase CGF’s impact, especially as CGF is poised to expand products and operations. These areas relate to: financial reporting and modelling, disclosure, internal control framework, risk-based pricing, and monitoring and evaluation.

- (3) Stakeholder consultations on the Environmental and Social Management Framework. A virtual stakeholder consultation meeting was held on May 4th, 2021 to present the project activities within CEP-II AF and relevant ESMF provisions. The participants were representatives from the Ministry of Economy and Infrastructure, ODIMM, Chamber of Commerce and Industry, project beneficiaries, potential beneficiaries, representatives of civil society and business development agencies.

The participants were informed about the ESMF, LMP and GM under the project and were presented to highlight the importance of these documents/ instruments in assessing and addressing environmental and social risks and engaging the stakeholders. During the public consultations, it was suggested that priority in funding should be given to SMEs involved in social entrepreneurship activities, so that the project would be a way of providing support for the development of social entrepreneurship. Another social topic addressed was the provision of opportunities for women on childcare leave to enrol their children in day-care centres and the possibility for parents, through legislative provisions, to enrol their children not only in the pre-school institution to which their residence refers, but also in the immediate vicinity of their workplace. Some entrepreneurs are open to establishing public-private partnerships in this respect. Entrepreneurs participating in the discussion appreciated the focus on environmental and social issues, but it was voiced that there are some topics that are beyond them at the moment. One example is the wastewater issue, as the water and sewage operator require that wastewater be treated to meet wastewater discharges concentrations. The environmental expert mentioned in the meeting that individual approaches are needed to identify technical solutions which should correspond to environmental requirements. The draft ESMF was revised after the dissemination, taking into account outputs from the consultation as described in this section.

This track record of consultations and stakeholder engagement activities has informed the development of the present MSME Competitiveness Project and established engagement platforms and practices, which should facilitate further engagement in the implementation of the new MSME Competitiveness Project in future.

Table 2. Summary table with key lessons from the stakeholder engagement under the previous operation CEP II

| Issues / topics of consultation | Stakeholders | Results and conclusions |
|---|--------------|---|
| <ul style="list-style-type: none"> • Matching grants recipients were contacted once or twice a month to check on progress of implementation, to inquire about matching grant products, and to seek their feedback and collect suggestions for improvement. Consultation on implementation and improvements of project activities, in particularly regulatory changes. • Matching grants, OSS for permissive documents, and the RIA (a formal and permanent government consultation mechanism for notice-and-comment system, where citizens and stakeholders can provide | MSMEs | <ul style="list-style-type: none"> • Based on this feedback, the matching grants manual was amended three times to address beneficiaries’ suggestions and beneficiaries were informed about this. • Through the feedback platform citizens have been empowered to participate in the planning and design of new government initiatives. • Implementation, effectiveness and outreach of the agencies’ programs was |

| | | |
|---|---|--|
| <p>feedback, trace which comments have been addressed, and monitor the status of the regulatory proposal in terms of the government's adoption process).</p> <ul style="list-style-type: none"> Public consultations on new business regulations, by developing an online platform for participatory feedback. | | improved |
| <ul style="list-style-type: none"> Consultations with stakeholders related to assessment of ODIMM/CGF against the "Principles for Public Credit Guarantee Schemes for SMEs | <p>ODIMM NBM PFIs</p> | <p>CGF was found to be observant with several aspects covered by the principles including those relating to legal status, ownership, mandate, supervision, eligibility criteria for beneficiaries and qualification criteria for PFIs, the guarantee coverage (which should be partial).</p> <p>Certain areas for enhancements have been identified to increase CGF's impact, especially as CGF is poised to expand products and operations, which relate to: financial reporting and modelling, disclosure, internal control framework, risk-based pricing, and monitoring and evaluation.</p> |
| <ul style="list-style-type: none"> Consultation on May 4th, 2021 to introduce the CEP-II AF project and its components, including ESMF and Environmental/Social Guidelines, and request feedback Presentation of project components and the Environmental and Social Management Framework (ESMF) with emphasis on the importance of this document for assessing and managing environmental and social risks. LMP and GM access and levels. | <p>Ministry of Economy & Infrastructure; Chamber of Commerce and Industry ODIMM, Investment Agency, AO Mega, Panilino SRL VL Consult Service SRL Eurostandard Broker SRL Regina Naturii SRL</p> | <ul style="list-style-type: none"> Knowledge and information on the environmental and social screening procedures for the project activities provided, Participants aware of measures that were put in place to comply with Covid epidemiological situation. Participants raised issues related to the state of environment, enterprises being affected by poor services related to wastewater, disposal of sorted waste, lack or poor social services and access to nurseries and kindergartens in the immediate vicinity of the workplace and issues currently faced by entrepreneurs were also discussed, as well as issues related to Occupational health and safety. |

5. STAKEHOLDER IDENTIFICATION AND ANALYSIS

Project stakeholders are defined as individuals, formal or informal groups and organizations, and/or governmental entities whose interests or rights will be affected, directly or indirectly by Project, both positively and negatively, who may have an interest, and who have the potential to influence to the Project outcomes in any way. In accordance with the ESS10, this SEP categorizes the stakeholders into three groups in order to ensure a more

efficient and effective stakeholder engagement:

- affected parties - stakeholders that are affected or may be affected by the project;
- other interested parties – other parties who may have an interest in the project.
- vulnerable/ disadvantaged groups - individuals or groups who may require special engagement efforts due to their vulnerable status.

5.1. Affected parties

‘Project-affected parties’ 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 of agricultural producers/farmers and other land users, including local communities” (World Bank, 2018b). They are the individuals or households most likely to observe changes from the environmental and social impacts of the project.

In the context of this particular MSME Project, the project-affected parties are a range of MSMEs which will benefit from project activities, including related to preparation of business plans and purchase of equipment and materials to facilitate production. Since matching grants are likely to target different MSMEs to those participating in the financial intermediation component these enterprises are also included in this category.

Beneficiary MSMEs invest mainly in agricultural production, agro-processing, small-scale industry and manufacturing but potentially extending to other sectors. The geographic footprint of these activities will vary significantly with investment type and size. As defined by Moldovan law, a micro enterprise has at most 9 employees, annual turnover of up to 9 million lei or total assets of up to 9 million lei; a small enterprise has 10-49 employees, annual turnover of up to 25 million lei or holds total assets of up to 25 million lei; a medium-sized enterprise has 50-249 employees, annual turnover of up to 50 million lei or total assets of up to 50 million lei.

Below a detailed analysis of stakeholders groups and description of the impact associated with project activities is provided.

Table 3. Affected parties by category of stakeholder

| Affected Parties by stakeholder category | Impact linked with the Project |
|---|---|
| <p>Ministries and government agencies:</p> <ul style="list-style-type: none"> • Ministry of Finance • Ministry of Economy • Ministry of Digitization • E-Government agency • Public Services Agency • Selected inspectorates with mandate for issuing permits and certificates for export operations • Moldovan Investment Agency • National Agency for Food Safety • State Ecological Expertise • State Inspectorates | <p>These stakeholders will be impacted in a positive way and will benefit from support to improve their public services and capacity to deliver improved services</p> |

| | |
|--|--|
| <ul style="list-style-type: none"> • Organization for Small and Medium Enterprises Sector Development (ODIMM) | <p>This stakeholder will be impacted in a positive way and will benefit from capacity building for ODIMM in the area of operational, financial and risk management policies, and financial reporting.</p> |
| <p>Female and male agricultural producers/farmers and other land users who own a registered Micro, small, medium enterprise (MSME) mainly operating in the agriculture and other sectors.</p> | <p>These stakeholders will be impacted in a positive way and will benefit from matching grants issued by the MGF and loans issued by PFIs, as well as reduced waiting period for access to credit. Matching grants will be provided for preparation of business plans and purchase of equipment and materials to facilitate production (examples include moderate amounts of sewing machines, packing equipment, electricity generators, piston pumps, barrels).</p> <p>They will also be supported on export readiness, quality infrastructure enhancement (ie. improvement in certification, accreditation, standardization), and export promotion programs.</p> |
| <p>Micro enterprises from remote areas, female MSMEs who lack links to professional networks and information about opportunities, rural new start-ups, enterprises with insolvency records or without access to information or awareness of the program</p> | <p>These stakeholders may be impacted in a negative way by lack of proper outreach and information about opportunities offered under the project. Proper outreach strategy will be developed by ODIMM to address this potential negative impact.</p> <p>CGF will assess the portfolio guarantee performance, including preliminary outreach and will conduct additional market demand assessment to align its product composition and delivery to target underserved markets.</p> <p>Risk that provision of matching grants and credit financing during COVID-19 may benefit the enterprises with existing financial capacity, and not reach rural new starters or those with insolvency records or without access to information or awareness of the program. Entrepreneurs from culturally or geographically remote communities, or female-led businesses may be more reluctant to apply and take on debt during COVID-19.</p> <p>Measures will be described in the ESMS to provide access to information and informed decision-making of such affected parties.</p> |
| <p>Participating Financial Institutions (PFIs)</p> | <p>These stakeholders will be impacted in a positive way and will benefit from enhanced capacity to address climate action priorities and trainings for their employees on climate change topics (adaptation and mitigation) in the context of international regulations (e.g., EGD, EU</p> |

| | |
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| | Taxonomy, etc.), including support to PFIs to develop their ESMS |
| All workers of beneficiary MSMEs, including vulnerable workers hired by beneficiary MSMEs and their contractors | Workers might be negatively impacted by expanded volume of work as a result of larger investments. MSMEs may be involved in small scale construction activities and for transport and installation of equipment procured under the matching grants and loans. |
| Vulnerable workers hired by beneficiary MSMEs and their contractors | <p>Labour Management Procedures as part of the ESMS requirements of ODIMM will be developed. In their ESMS, both ODIMM and PFIs will review their HR policies for consistency with ESS2 and apply measures to strengthen their LMP where necessary, develop clear worker Grievance Mechanisms, including codes of conduct to prevent and manage incidents of SEA/SH.</p> <p>LMP will include measures to ensure that participating PFIs screen for and monitor activities to prevent occurrences of harmful child or forced labor and that grievance mechanisms are available for direct and contracted workers. Activities that involve significant risk of child or forced labor will not be financed under the project.</p> <p>PFIs will be required to adhere to national labor laws as well as all rules under their respective HR and ESMS policies.</p> <p>Measures to mitigate the impact of Covid-19 on worker health and safety will be included in the LMP.</p> |
| Local communities host to the activities of beneficiary MSMEs | <p>These affected parties may be impacted by potential risks and adverse impacts on the population's health and safety associated with activities under the Access to Finance component resulting from various civil works, agricultural production, agro-processing, etc. These potential risks and impacts include emissions of dust, noise, odor, and vehicle exhausts; traffic jams and traffic and road safety risks due to increased traffic volume and movements of heavy-duty vehicles; temporary road blockades and closures; increased waste and wastewater generation, underground water pollution by fertilizers and other agrochemicals.</p> <p>Community's potential exposure to waste including hazardous waste, may lead to increased risks of health issues, resulting from poor site management, and communicable diseases relating to presence of labor such as the</p> |

| | |
|--|--|
| | <p>COVID-19 virus</p> <p>The ESMF and ODIMM and PFI ESMS will include procedures to screen for the risks and impacts to the health and safety of project affected communities, including groups that might be vulnerable, and relevant measures to be included in ESMPs. These will include management and mitigation measures to secure community health and safety during civil works and operations, as well as monitoring and reporting requirements. When preparing site specific ESMP documents, particular attention will be given to i) avoiding and minimizing exposure to project-related traffic and road safety risks; ii) assessing the likelihood of excessive noise and dust emission and potential exposure to hazardous waste and proposing mitigation measures (i.e., dust control, notification of risks to communities, clear procedures for handling hazardous waste). 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> |
|--|--|

5.2. Other interested parties

‘Other interested parties’ 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” (World Bank, 2018b).

In the context of the present MSME Competiveness project, the following other interested parties were identified:

Table 4. Interested Stakeholders

| Other Interested Parties | Role / Interest in the Project | Level of Analysis (H=High, M=Medium, L=Low) | |
|--|---|--|-----------|
| | | Interest | Influence |
| Ministry of Economy | Overall implementation success as this is a project that falls within the ministerial domain | H | H |
| Consultative Council for SMEs under the Ministry of Economy | Implementation of Component 3 on support the development of micro, small, and medium-sized enterprises, enhance their export competitiveness. | H | M |
| Ministry of Finance | Under EEP/ PBC category the Project proceeds against achieved new PBCs will be channeled to a | H | H |

| | | | |
|--|--|----------|----------|
| | specific Budget Account of the State Treasury, indicated by the Ministry of Finance | | |
| Ministry of Digitization | Support to implementation of Component 1: Digitization and Regulatory Reform | H | H |
| E-Government agency | Support to implementation of Component 1 and activities linked with the digitization of G2B services | H | H |
| Public Services Agency | Support to the implementation of activities related to scaling up digitization of G2B services (particularly of permissive documents, authorizations, etc.) that will target national and local level procedures, including but not limited to construction and other local permits. Under the project it should be ensured that environmental and social risk management requirements are not diluted or removed where regulations are updated. | H | H |
| Selected inspectorates with mandate for issuing permits and certificates for export operations. These selected inspectorates will be identified through consultation with stakeholders on the following stages of consultation. | Will be involved and benefit from modern digital tools which will further modernize the government-business interactions Other inspectorates such as Labor Inspectorate are mandated by law ⁶ with responsibilities for monitoring and inspecting all types of enterprises to prevent illegal practices associated with forced or child labor, and compliance with provisions of Law 186 on Occupational Health and Safety. | H | M |
| Organization for Small and Medium Enterprises Sector Development (ODIMM) | Engaged in overall implementation, including in the Access to Finance component to support the Credit Guarantee Fund (CGF) within ODIMM for the provision of financial guarantees to MSMEs Implementation of institutional changes to strengthen ODIMM's ability to manage the CGF and achieve sustainability | H | H |
| Moldovan Investment Agency | MIA is interested as a public institution coordinating policy implementation for competitiveness, export promotion and investment attraction in Moldova. | H | M |
| National Agency for Food Safety | The Agency and its subordinated public institution has a regulating and control mandate in the field of veterinary, phytosanitary and plant protection, food safety, wine and alcoholic products and production, consumer protection in food sector, occupational | H | M |

⁶ <https://www.parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/5254/language/ro-RO/Default.aspx>

| | | | |
|---|--|----------|----------|
| | safety and compliance with licensing terms. | | |
| State Ecological Expertise | Has a mandate related to environmental authorizations and permissive documents | H | M |
| Participating Financial Institution / Banks | Will benefit from improving environmental and social due diligence and associated management systems for financial intermediation Also, will benefit from enhanced capacity to address climate action priorities through trainings on climate change topics (adaptation and mitigation). Discussions between ODIMM and PFI will identify the existing knowledge gaps of the PFI personnel and their project-related training needs. The trainings will address climate change adaptation and mitigation topics relevant for financial institutions in the country and in the context of international regulations (e.g., EGD, EU Taxonomy, etc.). | H | H |
| Employers' Association "Alliance of SMEs" | Implementation of Component 3 on support the development of micro, small, and medium-sized enterprises, enhance their export competitiveness. | H | M |
| Environmental CSOs (list available in the link in the footnote)⁷, organizations that support the MSME sector and engage with ODIMM, professional associations, employers' organizations; trade unions | Interest in receiving information about the project Trade unions are particularly interested in representing and protecting workers' rights and interests. | H | M |
| Local administrations at municipal, regional, and district levels | Interest to ensure that the project does not generate risks or negative impacts on the environment, community health and safety. | H | L |
| National and local media | Interest in reflecting project implementation and keeping the general public up to date on investment project progress | H | L |
| Think tanks, NGOs/CBOs | Think tanks and NGOs may be interested to contribute with their knowledge and expertise as per sector of activities. For ex., environmental protection NGOs may be interested in both contributing their knowledge on environmental impact, and at the same time they may be | H | M |

⁷ <https://e-circular.org/wp-content/uploads/2020/Lista%20ONG-uri%20de%20mediu.pdf>

| | | | |
|--|---|--|--|
| | interested in learning from project experience related to climate change adaptation and mitigation topics relevant for financial institutions, since this is a specific area of expertise and learning topic. | | |
|--|---|--|--|

5.3. Disadvantaged / vulnerable individuals or groups

It is particularly important to understand project impacts and whether they may disproportionately fall on disadvantaged or vulnerable individuals or groups, who often do not have a voice to express their concerns or understand the impacts of a project.

As noted in the section above on affected parties, project communities may include groups that might be vulnerable and who may be affected by impacts to their health and safety because of some specific activities, such as traffic jams caused by the operations under the project, etc. As described above, relevant measures will be included in ESMPs where necessary and will include management and mitigation measures to secure community health and safety during civil works and operations, as well as monitoring and reporting requirements.

The risk of incidence of child and forced labour is not considered significant, however measures will be in place to prevent child or forced labor, such as awareness for MSMEs and screening measures as part of the assessment procedures set in the PFIs.

The table below summarizes the categories of vulnerable and disadvantaged groups and their vulnerability, as well as their level of interest and influence of the project.

Table 5. Analysis of disadvantaged and vulnerable groups and their level of interest and influence of the project

| Disadvantaged and vulnerable groups | Description of vulnerability / disadvantage | Level of Analysis (H=High, M=Medium, L=Low) | |
|---|---|---|-----------|
| | | Interest | Influence |
| Rural new start-ups | These categories of vulnerable types of enterprises may be more reluctant to apply to matching grants and CGF and take on debt during COVID-19. | H | M |
| Female led MSMEs | These enterprises are normally considered vulnerable and their condition may further aggravate, if access to project benefits is not facilitated through special measures such as targeted outreach, customized information awareness or special incentives. | H | M |
| | | H | M |
| Enterprises with insolvency records | | H | M |
| Entrepreneurs from culturally or geographically remote communities | Female-headed firms usually run micro and small enterprise, therefore access to credit is hindered by lack of collateral to secure a loan. Accordingly, benefits from CGF is anticipated to represent significant support for female led MSMEs They may also have less access to information or awareness of the project benefits, such as guarantees under the CGF issued by ODIMM. Under the project, measures will be explored to support inclusion of women-led businesses and others struggling to access finances through the provision of credit guarantees for cultural and capacity reasons. | H | L |

| | | | |
|---|--|----------|----------|
| COVID-affected MSMEs regardless of export-status | <p>These categories of vulnerable enterprises are in sectors where operation may be totally locked down during epidemiological emergencies without alternative to minimize impact of pandemic on workforce and productivity. Covid-19 has led to loss of liquidity for export-oriented companies as they decreased supply of inputs due to lack of working capital. According to 2020-2021 Enterprise Survey, 54.5 percent of Moldovan export businesses reduced hours worked and registered a greater reduction of full time and temporary workers than non-exporters.</p> | H | H |
| Workers with disabilities | <p>These categories of workers are vulnerable and their condition may aggravate if their rights are further infringed.</p> | H | L |
| Local unskilled labor unaware of their rights and conditions of employment | <p>These categories have specific needs for information about their rights and conditions of employment according to the legislation of Moldova.</p> <p>Poor OHS, poor labor inspection have a direct impact on them.</p> | H | L |
| Underaged workers (under the age of 16 years old) prohibited from participating in the project | <p>Employment of underaged workers can have a negative influence on the project, and beneficiary MSMEs should be required to put measures in place to ensure that the use of forced labor and harmful child labor is prohibited.</p> | H | L |
| Community general population | <p>Their vulnerability is linked with potential risks or negative impacts on the environment, community health and safety generated by the activity of beneficiary MSMEs.</p> <p>Activities with risk of resettlement, and significant risks or impacts on the environment, community health and safety, labor and working conditions, biodiversity, and cultural heritage will be excluded.</p> <p>The PIU prepared and agreed with the Bank prior to Appraisal an exclusion list to be included in the ESMS and ESMF detailing the range of activities ineligible for financing, either through provision of matching grants or through loans backed by credit guarantees.</p> | H | L |

Note: Differential impacts on female-headed firms in terms of access to credit are to be assessed. However, a SIDA gender analysis of Moldova's accession to the EU Deep and Comprehensive Free Trade Agreement (Spear, et. al. 2016) concluded that Moldovan women may not be as successful in reaping economic benefits from the DCFTA agreement due to the sectors of the economy where female labor is concentrated, and lower access to finance, among other factors. Women may benefit as employees in selected sectors, such as agriculture and textiles. Women in Moldova are less likely to start a business, and when they do, they are less likely to expand and available data suggest that barriers include social norms, access to productive assets, and the need for skills such as leadership, management, financial literacy, etc.

6. STAKEHOLDER ENGAGEMENT PROGRAM

6.1. Stakeholder engagement in a COVID-related context

In the preparation of the present MSME Competiveness Project, as well as during future implementation, the project teams will ensure consultation and engagement of stakeholders remains meaningful using innovative, reliable, reachable, available and useful communication and engagement tools, while complying with all Covid related health safety and epidemiological measures.

Different engagement methods are available to cover various needs of the stakeholders, including focus group meetings/discussions, community consultations, formal interviews and site visits. However, given the ongoing limitations on public gatherings and the associated restricted movement of citizens where the public is encouraged to avoid gatherings, the main communication means are likely to rely on virtual, videoconference and digital tools, including:

- Traditional channels of communications (TV, newspaper, radio, and mail);
- Websites of the ODIMM, PFIs and other stakeholders;
- Dedicated telephone line at the PIU (+373 22) 296 723;
- Online meetings with stakeholders using zoom, Webex and other online meeting and conference tool;
- Hybrid engagement.

In cases of hybrid engagement tools, where a workshop runs both online and in-person, planning and preparation are essential, which includes setting up and testing sound, image and internet quality in each location, having a well-planned agenda including time buffers, and detailed briefing of all facilitators. Activities need to be planned to engage in-room participants and participants joining online. In-person representation and facilitation of the workshop and activities in each room are also critical so that workshop attendees do not have to listen to presenters on screen for long hours.

Depending on how the situation and epidemiological situation related to the COVID-19 pandemic in Moldova, the Project team will decide the best method and tools to inform, consult and collaborate with stakeholders. Alternative arrangements will be considered until Covid-19-related restrictions are lifted to allow face-to-face meetings and direct engagement. Therefore, the engagement approaches will be tailored in order to comply with the local restrictions and will be flexible and responsive to modifications of those restrictions.

6.2. Phases of stakeholder engagement program

The stakeholder engagement program phases are outlined below:

Table 6. Key Stakeholder Engagement milestones during project preparation and project implementation

| Project phase | Key Stakeholder Engagement milestones |
|------------------------|---|
| 1. Project preparation | Assessment of environmental and social impacts and associated preparation of assessment; Ensure that meaningful information is provided and feedback received on the operation |

| | |
|---------------------------|---|
| | <p>from representative project-affected and other interested stakeholders;</p> <p>Integration of feedback into the documents which need to be consulted on and disclosed prior to project appraisal;</p> <p>Ensure the ESMS have stakeholder engagement procedures consistent with this SEP and the requirements of World Bank ESS9 on Financial Intermediaries. The stakeholder analysis and program actions contained within this SEP will provide a template for informing the contents of each ESMS.</p> |
| 2. Project Implementation | <p>PIU support for ODIMM and PFIs to prepare their Environmental and Social Management Systems.</p> <p>Once PFI ESMS are in place, ODIMM will support each PFI to ensure that relevant stakeholder engagement and information disclosure activities are being undertaken by participating MSMEs proportionate to risk and stakeholder needs.</p> <p>Ensure functionality of the project's overall Grievance Mechanism as well as grievance mechanisms of each PFI and adequately resources for implementation over the life of the project.</p> |

6.3. Strategy for information disclosure

Stakeholder engagement will rely on timely, accurate, accessible, and comprehensible information disclosed by the project implementation entities. The entities involved in the implementation of the present project will disclose Project information to allow stakeholders to understand the risks and impacts of the Project, and potential opportunities.

This strategy is for programmatic activities for the matching grants under component 2. This strategy may serve as a framework for the design of a communications strategy in ESMS under component 3.

Prior to the MSMEs Project appraisal, the following documents will be prepared and disclosed:

- Environmental and Social Commitment Plan;
- The present Stakeholder Engagement Plan;
- Environmental and Social Management Framework (ESMF) for component 3;
- Labor Management Procedures as part of the ESMF;
- Grievance Mechanism as part of the ESMF.

These documents will be placed on the PIU website for public access and consultation at <http://uipac.md> and www.particip.gov.md. Consultation will be announced by sending out invitations to the stakeholders identified in the present SEP and by placing a public announcement on the website of the PIU for all interested stakeholders and the general public. A period of 10 business days (i.e. 14 calendar days) will be provided for review and receipt of feedback.

Summaries of ODIMM ESMS before effectiveness and PFI ESMS prior to PFI participation in the credit guarantees will be disclosed on the websites of these organizations.

To ensure that stakeholders are engaged according to the above-stated principles, the following **actionable methods** will be used by the project:

Provide information and consult stakeholders using traditional tools:

- Communicate project related information using TV, newspapers, Radio during project implementation
- Conduct awareness and outreach campaigns using traditional tools such as leaflets, advertisements and written materials targeted at female-led businesses, MSMEs led by entrepreneurs from disadvantaged groups or regions;
- Maintain bilateral conversations with stakeholders throughout the project, including telephone discussions and face-to-face individual consultations;
- Conduct field visits to consult the stakeholders and monitor project implementation directly on the site. Participants should comply with Covid-related measures and wear masks at all times in closed spaces. Customized Travel Risk Assessment Forms can be adapted by the PIU, ODIMM and implementing partners to ensure participants in field visits and other face-to-face gatherings are monitored and quarantined in case of Covid positive testing among those participants;
- Place project updates on Information Board of Local administrations at municipal/commune/district levels for non-virtual users.

Consult and engage stakeholders using internet, videoconference platforms and digital tools:

- Consult stakeholders using online consultative workshops. One of the first workshops will be conducted to consult stakeholders on the present SEP and the project ESMF, aimed at collecting views from relevant stakeholders, including the general public, on these documents. For the workshop, a concept note will be prepared outlining the workshop's purpose, format, attendees, agenda, outputs and expected outcomes;
- Request feedback from stakeholders and the general public and ensure access to the documents by placing on the website the present SEP, the ESMF with sections on LMP and GM, ESMP. The timeline for consultation will be in line with Moldova legislation, which is 10 working days or 14 calendar days;
- Ensure ongoing communication with stakeholders using official correspondence through emails and virtual meetings;
- Engage and inform stakeholders through providing regular updates on the website, social media of the PIU, ODIMM, PFIs and line ministries;
- Organize workshops and webinars using virtual communication platforms such as Zoom/webex or others, as available for most participants;
- Conduct surveys by distributing beneficiary-satisfaction polls to MSMEs;
- Organize consultation of beneficiary MSMEs on specific topics, using digital engaging applications such as [www.menti](http://www.menti.com). In addition, stakeholders can be consulted by working directly with them in the digital application www.miro.com;
- Conduct specialized trainings and capacity building events, which may be arranged through virtual platforms. PIU and ODIMM will ensure inclusion of female-led businesses, MSMEs led by entrepreneurs from disadvantaged groups or regions.

For virtual training and virtual meetings, local public libraries that were previously equipped with computers and internet under the Novateca program⁸ can be used to provide access to internet and computer for those who do not have access to technology.

⁸ <https://novateca.md/ro/program-overview>

6.4. Program for stakeholder engagement

The Stakeholder Engagement Program includes a set of engagement actions, which will be used to consult, provide information and engage interested stakeholders, affected parties and vulnerable groups. The methods, which will be used include a number of interchangeable list of tools, which can apply to all categories of stakeholders, affected parties and vulnerable groups, such as for example TV, Radio, public meetings. These methods are categorized under “traditional” and “digital” and include the following tools:

Traditional tools:

- TV, newspapers, Radio
- Traditional tools such as leaflets, advertisements and written materials;
- Bilateral conversations , including telephone discussions and face-to-face individual consultations;
- Face-to-face trainings and capacity building events, when the epidemiological situation allows
- Field visits to consult the stakeholders and monitor project implementation directly on the site;
- Information Board of Local administrations at municipal/commune/district levels for non-virtual users.

Digital tools:

- Official correspondence through emails and virtual meetings;
- Website, social media of the PIU, ODIMM, PFIs and line ministries;
- Workshops and webinars on virtual communication platforms such as Zoom/webex or others, as available for most participants;
- Surveys (SurveyMonkey, google or other);
- Digital engaging applications such as *www.menti*; *www.miro.com*

The table below presents a set of engagement activities that will take place during the project preparation stage through to implementation and completion of the project. The list of activities is not exhaustive and it may be supplemented and modified during implementation.

Table 7. Program for Stakeholder Engagement

| Project component | Topic of Consultation | Target Stakeholders | Issues Raised /Expected Decisions | Methods Used | Who is responsible | Time table/location/dates |
|------------------------|---|---|---|---|--------------------|--|
| Appraisal Stage | | | | | | |
| Component 1-3 | Proposed project components | Stakeholders identified under the present SEP | Issues with current status of the project; proposed project improvements, modality how to apply to project benefits | Disclosure of SEP, ESMF and its component parts, including LMP and GM, though placing of these documents on the PIU website and www.particip.gov.md | PIU | Prior to project appraisal |
| Component 1-3 | Stakeholder consultation on all draft documents: Preliminary SEP ESMF, including LMP GM | Stakeholders identified under the present SEP | Disclosure of the documents Enabling key stakeholders to provide their opinion, feedback, suggestions on the technical, environmental and social assessments. Integrate and address raised suggestions, opinions and considerations in the assessments. | Emails, letters to stakeholders with appropriate background information and SEP, posting on www.particip.gov.md , websites of PIU, Ministry of Economy | PIU | The documents will be available to the public for a period of 10 days to provide comments and feedback |
| Component 2-3 | Summaries of ODIMM ESMS before effectiveness and PFI ESMS | Stakeholders identified under the present SEP | Contents of ESMS ESMS will require stakeholder engagement procedures consistent with this SEP and the requirements of World Bank ESS9 on Financial Intermediaries. The stakeholder analysis and program actions contained within this SEP will provide a template for informing the | will be disclosed on the websites of these organizations | ODIMM PFIs | Prior to PFI participation in the credit guarantees |

| | | | contents of each ESMS | | | |
|--|--|--|---|---|---------------------------|--|
| During Project Implementation Stage | | | | | | |
| Project component | Topic of Consultation | Target Stakeholders | Issues Raised /Expected Decisions | Methods Used | Who is responsible | Time table/location/dates |
| Components 2-3 | Satisfaction with the level of engagement Understand and comment on environmental and social impacts, Health & Safety issues Gender Based Violence (GBV) awareness-raising; GM mechanism. | Beneficiary SMEs | Seek common understanding by beneficiaries/stakeholders Provide information of GBV service providers and referral systems. | Emails, letters for background information; meetings; deliverable presentations/workshops; presentation on the dedicated project website and Facebook page; Online Engagement platforms Annual surveys of ODIMM among the MSMEs to assess, adjust and improve the implementation, effectiveness and outreach of the agencies' programs. | ODIMM | At project start and regularly during implementation |
| Component 2 | Information on the defined eligibility criteria for the guarantee financing | Female and male owned/managed MSMEs | Engagement of female-led businesses, MSMEs led by entrepreneurs from disadvantaged groups or regions | Website, social media of the PIU, ODIMM, PFIs and line ministries; | PIU & ODIMM | At project start and regularly during implementation |
| Components 2-3 | Workers at risk of Covid | Beneficiary COVID-affected MSMEs regardless of | Information on safety measures and requirements to MSMEs to provide workplace health and safety; | LPM disclosure, workplace safety measures | PIU & ODIMM | At project start and regularly during implementation |

| | | | | | | |
|--|--|---------------|--|--|--|--|
| | | export-status | MSMEs should ensure that all workers employed directly by them and vendors' workers subcontracted by these enterprises are provided with information on how they could apply to grievance mechanisms established under the project | | | |
|--|--|---------------|--|--|--|--|

6.5. Strategy to incorporate the view of vulnerable groups

The new Covid-19 variants determine medical scientists to assume that growth and decline of infections are exponential with identical generation intervals of both variants Delta and Omicron⁹. The global epidemiological situation, as well as the situation in Moldova is hardly predictable and safety measures should be carefully considered in future. The project should consider alternative tools for consultation and engagement and rely on technology and virtual communication.

Access to technology and internet may not be available for certain categories of people, especially in remote locations. The project should consider local public libraries that were previously equipped with computers and internet under the Novateca program, as described in the section above, to be used for access to internet and computer for those who do not have access to technology.

Outreach and targeted awareness campaigns will be developed to support inclusion of women-led businesses and others struggling to access finances. ODIMM may use its previous experience on outreach to female businesses as part of its previous Women in Business projects¹⁰.

The table below provides details of the approach to ensure vulnerable groups such as micro-enterprises, women-led businesses, enterprises with insolvency records, Covid-affected MSMEs and workers, including other categories of workers or local unskilled people who are unaware of their rights and conditions of employment, have access to information and receive support to have their rights respected.

⁹ <https://www.ecdc.europa.eu/sites/default/files/documents/threat-assessment-covid-19-emergence-sars-cov-2-variant-omicron-december-2021.pdf>

¹⁰ <https://www.odimm.md/en/pfa-women-in-business>

Table 8. Program and methods to engage vulnerable groups

| Project component | Topic of Consultation | Target Stakeholders | Issues Raised /Expected Decisions | Methods Used | Who is responsible | Timetable/location/ dates |
|-------------------|---|---------------------|---|--|--------------------|--|
| Components 2-3 | Eligibility and conditions to apply for matching grants and CGF | Rural new start-ups | Provide information through traditional channels of communications; Raise awareness Conduct targeted outreach | TV, newspaper, radio, and mail), websites and Facebook page of the ODIMM, PFIs, PIU, targeted outreach through professional networks Place project updates on Information Board of Local administrations at municipal/commune/district levels | PIU, ODIMM, PFIs | At project start and regularly during implementation |
| Components 2-3 | Eligibility and conditions to apply for matching grants and CGF | Female MSMEs led | Provide information through traditional channels of communications; Raise awareness Conduct targeted outreach | Provide information through traditional channels of communications (TV, newspaper, radio, and mail), websites and Facebook page of the ODIMM, PFIs, PIU, targeted outreach through professional networks Place project updates on Information Board of Local administrations at municipal/commune/district levels | PIU, ODIMM, PFIs | At project start and regularly during implementation |
| Components | Eligibility and | Enterprises with | Provide information through | Provide information through | PIU, | At project start and |

| | | | | | | |
|----------------|---|--|---|---|------------------|--|
| 2-3 | conditions to apply for matching grants and CGF | insolvency records | traditional channels of communications; Raise awareness Conduct targeted outreach | traditional channels of communications (TV, newspaper, radio, and mail), websites and Facebook page of the ODIMM, PFIs, PIU, targeted outreach through professional networks Place project information and updates on Information Board of Local administrations at municipal/commune/district levels | ODIMM, PFIs | regularly during implementation |
| Components 2-3 | Eligibility and conditions to apply for matching grants and CGF | Entrepreneurs from culturally or geographically remote communities | Provide information through traditional channels of communications; Raise awareness Conduct targeted outreach | Provide information through traditional channels of communications (TV, newspaper, radio, and mail), websites and Facebook page of the ODIMM, PFIs, PIU, targeted outreach through professional networks; Place project information and updates on Information Board of Local administrations at municipal/commune/district levels | PIU, ODIMM, PFIs | At project start and regularly during implementation |
| Components 2-3 | Eligibility and conditions to apply for matching grants and CGF | COVID-affected MSMEs regardless of export-status | Provide information through traditional channels of communications; Raise awareness Conduct targeted outreach | TV, newspaper, radio, and mail), websites and Facebook page of the ODIMM, PFIs, PIU, targeted outreach through professional networks Place project information | PIU, ODIMM, PFIs | At project start and regularly during implementation |

| | | | | | | |
|----------------|---|--|--|--|------------|--|
| | | | | updates on Information Board of Local administrations at municipal/commune/district levels | | |
| Components 2-3 | Labor rights, occupational health and safety at the workplace, grievance mechanisms, etc | Workers with disabilities | Require beneficiary MSMEs to conduct health and safety training; Require beneficiary MSMEs keep officially signed contracts with its workers Provide information of GM | Place project updates on Information Board of Local administrations at municipal/commune/district levels | PIU, ODIMM | At project start and regularly during implementation |
| Components 2-3 | Labor rights, occupational health and safety at the workplace, grievance mechanisms, etc. Gender Based Violence (GBV) awareness-raising; GM mechanism. | Local unskilled labor unaware of their rights and conditions of employment | Require beneficiary MSMEs to conduct health and safety training; Require beneficiary MSMEs keep officially signed contracts with its workers Provide information of GM Provide information on GBV service providers and contact of the Trust Line for Women and Girls 0 8008 8008 | Place project updates on Information Board of Local administrations at municipal/commune/district levels | PIU, ODIMM | At project start and regularly during implementation |
| Components 2-3 | Labor rights, occupational health and safety at the workplace, grievance mechanisms, | Underaged workers (under the age of 18 years old) prohibited from participating in | Require beneficiary MSMEs to conduct health and safety training; Require beneficiary MSMEs keep officially signed | Place project updates on Information Board of Local administrations at municipal/commune/district levels | PIU, ODIMM | At project start and regularly during implementation |

| | | | | | | |
|-------------------|---|------------------------------------|--|--|---------------|--|
| | etc. Gender Based Violence (GBV) awareness- raising; GM mechanism. | the project | contracts with its workers Provide information of GM Provide information on GBV service providers and contact of the Trust Line for Women and Girls 0 8008 8008 | | | |
| Components 2-3 | Project approach to community health and safety | Community general population | Require beneficiary MSMEs to conduct health and safety training; Require beneficiary MSMEs to keep officially signed contracts with its workers Provide information of GM Provide information on GBV service providers and contact of the Trust Line for Women and Girls 0 8008 8008 | Place project updates on Information Board of Local administrations at municipal/commune/district levels | PIU, ODIMM | At project start and regularly during implementation |

6.6. Timelines, review of comments and where to provide feedback

The PIU will provide appropriate background and relevant technical or non-technical information to stakeholders' whose feedback is sought with sufficient advance notice of 5-10 business days, so that the stakeholders have enough time to prepare to provide meaningful feedback.

The PIU team will gather written and oral comments, will review and summarize them and commit to report back to stakeholders on how those comments were incorporated.

Comments, suggestions and feedback to project disclosed documents can be provided as follows:

- 1) By Email to the address: *piu@me.gov.md*
- 2) By landline correspondence: PIU, Aureliu Casian; 180, Stefan cel Mare si Sfânt avenue, office 813, MD 2004

7. RESOURCES AND RESPONSIBILITIES FOR IMPLEMENTING STAKEHOLDER ENGAGEMENT ACTIVITIES

7.1. Management functions and responsibilities

Project implementation responsibilities, including SEP implementation, rely on the Project Management component in the PIU under the Ministry of Economy (MoE) and project implementing entities such as ODIMM and PFIs.

The management of SEP implementation and stakeholder engagement activities relies on the PIU Communication/M&E Specialist under the overall supervision of the PIU Executive Director.

7.2. ODIMM and PFIs responsibilities for stakeholder engagement and effective outreach

ODIMM and PFIs shall prepare stakeholder engagement procedures consistent the present SEP and with ESS10. These procedures will be integrated into the ODIMM ESMS and PFI ESMS to ensure effective consultation on the implementation of the credit guarantees and sub-loan activities.

This will supplement the external communications mechanisms of the participating PFIs outlined in their ESMS that should be aimed at receiving and addressing project-related feedback or/and grievances.

PFIs that select and provide credit loans backed by the partial guarantees will need to engage in additional outreach and engagement with their prospective beneficiaries. Specific outreach approaches should be developed to support inclusion of women-led businesses and others struggling to access finances through the provision of credit guarantees for cultural and capacity reasons.

PFIs and ODIMM will be made aware of the project SEP and GM and their responsibilities for receipt, response and reporting on complaints and should have the capacity, staff, and resources to conduct engagement activities and awareness campaign, and to manage their own Grievance Mechanisms.

The PIU will support ODIMM to monitor stakeholder engagement activities and ensure that they are provided with timely GM reports.

7.3. Estimated Budget for implementation of SEP

The budget source for implementation of SEP related activities is included in budget for other communication activities of the PIU, ODIMM, the Investment Agency and Participating Financial Institutions.

Table 9. Estimate Budget for SEP implementation over the project life

| Item | Q-ty | Unit cost, USD | Total cost, USD | Comments |
|--|------|----------------|-----------------|--------------------------------------|
| Periodic stakeholder consultations | 20 | 250 | 5.000 | Once a quarter during 5 years period |
| Capacity building for citizen engagement, delivery and support to public awareness campaign. | 5 | 10.000 | 50.000 | For 5 years (lump sum) |
| Project information (preparation of video tutorials and GM PR-materials and dissemination via fb, web-page, other sources) | 5 | 1.500 | 7.500 | For 5 years (lump sum) |
| Upgrading the project website plus maintenance | 5 | 1.000 | 5.000 | For 5 years (lump sum) |
| Design of the information materials (brochures, leaflets, posters, other items) and on line dissemination | | | 7.500 | All phases of the project |
| TOTAL, USD | | | 75.000 | |

8. GRIEVANCE MECHANISM

8.1. Objective of the Grievance Mechanism (GM)

The objective of the GM is to serve as an effective tool for early identification, assessment and resolution of grievances, serving as a project risk management mechanism and strengthening accountability to beneficiaries. The GM serves as feedback mechanism that can improve project impact and mitigate the undesirable ones. The GM mechanism will be available to project stakeholders and other affected parties to submit questions, comments, suggestions and/or complaints and provide any form of feedback on all project-funded activities.

The term “grievance” may imply that there might be a problem. In practice, however, the nature of feedback that citizens and stakeholders may want to bring to attention will vary, since citizens often find it appropriate to use the same channels to communicate not only grievances but also questions, requests for information, and suggestions. Unanswered questions or ignored requests for information have the potential to become problems and should, therefore, be addressed promptly. It is good practice to respond to citizens’ and stakeholders’ feedback through the relevant pillars of community engagement, such as disclosure, consultation, and participation in project monitoring.

Addressing grievances raised by any individual affected by World Bank funded projects is an important component of managing project risks and for mitigation strategies. Due to ongoing COVID-19 safety concerns, with restrictions on movement, it is important that, where possible, staff managing grievances can access systems and work remotely to enable processes to work effectively.

The present document will describe below the process of receipt and resolution of grievances from the general public/citizens/beneficiaries/stakeholders. The grievance mechanism for project workers required under ESS2 will be provided separately under the ESMF. However, project workers can and are encouraged to use the existing project grievance mechanism to raise workplace concerns, report concerns related to COVID-19, preparations being made by the project to address COVID-19 related issues, how procedures are being implemented, and concerns about the health of their co-workers and other staff.

8.2. Grievance Receipt, Investigation and Resolution Process

The Grievance Mechanism at the Project level will be available and functioning during the entire period of MSMEs Competitiveness Project implementation. The GM will ensure that the all stakeholders can effectively be engaged in the Project design, implementation, provide project staff with practical suggestions/feedback on Project activities allowing them to be more accountable, transparent, and responsive.

This mechanism will follow the following principles:

1. Proportionality: Scaled to risk and adverse impact on affected communities
2. Cultural Appropriateness: Designed taking into account culturally appropriate ways of handling community concerns
3. Accessibility: Clear and understandable mechanism that is accessible to all segments of the affected communities at no cost
4. Transparency and Accountability: To all stakeholders
5. Appropriate Protection: A mechanism that prevents retribution and does not impede access to other remedies

Grievances under the MSMEs Competitiveness Project will be treated confidentially, assessed impartially, and handled transparently.

The PIU under the MoE and its implementing partners will ensure that all project-affected parties will have equal opportunity to submit their grievance in accessible ways. The Project beneficiaries may use a range of contact options (telephone number, e-mail address and postal address, etc.).

All communication means and grievance redress channels established previously by the CEP-II PIU, will be improved as necessary to enhance stakeholder engagement and grievance resolution under the new MSMEs Competitiveness Project. One possible improvement could be to make the Grievance Form available online, so that complainants could download a copy on the PIU website <https://uipac.md>.

Measures are put in place by the PIU to ensure that the GM is accessible to all stakeholders and that the channels for filling in a grievance form is disclosed on official sources of the websites¹¹ of the PIU and project implementing entities. All types of complaints will be received by the GM, including anonymous grievances; however the GM will be limited in its ability to address complaints that do not provide contact information. In cases when complainants do not provide contact information for feedback, PIU will publish the response on its website.

Under the project, in cases where the individual or group of individuals are not satisfied with the outcome of any amicable mechanisms set under the project, and once all possible redress has been proposed and the complainant is still not satisfied, then they should be advised of their right to legal recourse in accordance with provisions of the Moldova legislation.

All grievances will be registered and documented, and each grievance resolution process and communication will be systematically tracked. The channels for filing complaints are listed here and will be communicated to the public during SEP consultations, as well as other processes of consultation and stakeholder engagement.

The PIU and project-implementing entities will ensure equal and nondiscriminatory access to the grievance mechanisms, and special attention will be given to the disadvantaged/ vulnerable groups, people who are less informed, youth and women entrepreneurs, representatives of startups, etc.

The project team will be working together with Matching Grants Facility team (MGF), PFIs, ODIMM, the Investment Agency, NGOs to provide access for complaints and ensure that the most disadvantaged and vulnerable groups' views are taken into account. All feedback related to EMSF and related processes will also be used to improve internal project processes and overall project implementation. The representatives of the potentially disadvantage and vulnerable groups (business incubators and business associations, NGOs) will be included in the communication channels for ensuring the dissemination of information to communities about Project preparation activities and about planned public consultations.

The Procurement Specialist of the PIU will serve as Grievance Focal Point at project level and will act as supervisor and project management authority who will supervise the outreach and grievance management activity of project implementing entities such as ODIMM, the Investment Agency and PFIs.

¹¹ <https://uipac.md/eng/suggestions-box>

Channels to make complaints: Due to COVID-19, the project will provide various ways whereby grievances would be received.

The PIU has the following channels for citizens to provide feedback and to lodge complaints:

1. By Email: *piu@me.gov.md* ;
2. Online at *https://uipac.md/eng/suggestions-box*;
3. In writing to PIU Director Aureliu Casian at 180, Stefan cel Mare si Sfânt avenue, office 813, MD 2004;
4. Dedicated phone number: +373 022 296724;
5. Verbal complaints addressed to project staff at the address indicated above.

[The project treats sensitive and confidential complaints, including those related to Sexual Exploitation and Abuse/Harassment (SEA/SH) in line with the WB ESF Good Practice Note on SEA/SH.]¹² For GBV, and particularly for SEA/ SH complaints, there are risks of stigmatization, rejection and reprisals against survivors. The GM will assist GBV survivors by referring them to GBV Services Provider(s) for support immediately after receiving a complaint directly from a survivor.

We use this SEP to provide contacts where to receive support: SEA/SH green-line 0 8008 8008. This is a green-line for women and girls suffering from domestic abuse, victims of trafficking in human beings, victims of sexual exploitation. The list of GBV service providers/ NGOs is available www.stopviolenta.md¹³.

The emergency line 112 service also will redirect all calls coming from women-victims of domestic violence to the Trustline for Women and Girls, in the cases when the beneficiary refuses police intervention or is in a state of crisis and requires emotional support and psychological counselling. The redirection will also happen when the beneficiaries will need information about their rights and the services available to them. This is possible since December 2020, when La Strada and 112 emergency service have signed an agreement of collaboration, under which La Strada have inclusively offered training support and capacity building for the 112 operators in the field of domestic and sexual violence.

Under the MSMEs Competitiveness project, the following three layers for grievance resolution will function:

Level 1. ODIMM/MGF and PFIs

The supervisors/ Grievance Focal Point(s) will be responsible for collecting grievances from beneficiaries, as well as Contractors` employees and workers. The channels for grievance submission will be disclosed for all MSMEs applying for support related to matching grants, export readiness, quality infrastructure enhancement (ie. improvement in certification, accreditation, standardization), and export promotion programs.

ODIMM and PFIs should publish on their websites the information related to the procedure of grievance lodging and resolution.

¹² Add where SEA/SH risks are relevant to the project.

¹³ <https://stopviolenta.md/index.php?do=feedback>

Level 2. PIU

Complainants have the possibility to submit grievance to PIU as follows:

e-mail: piu@me.gov.md

postal address: Aureliu Casian 180, Stefan cel Mare si Sfânt ave, office 813, MD 2004

by telephone: 022 296724

online on the PIU website <http://uipac.md/rom/sugestii-si-reclamatii>

Level 3. MEI. Complainants may use the online form following the provided on-line link or fill in the template available as Annex of this SEP, and send to:

online: <http://me.gov.md/ro/content/petitia-line>¹⁴

e-mail: secretariat@me.gov.md

postal address: Ministry of Economy, MD-2012 Chisinau, Piata Marii Adunari Nationale, 1, street

by telephone: 022 250 593 (green/ trust line)

The timeline for response will not exceed 14 working days. The PIU will coordinate and monitor the responses to all complaints and will ask implementing entities to develop their own mechanisms in order to comply with ESS10 and overall strategic approach outlined in the present SEP. The MEI will be able to extend the term of addressing grievance up to 20 working days (the complainant will be informed about extension).

The World Bank's corporate Grievance Redress Service. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel, which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

Complainants can also submit grievances to the World Bank office in Moldova at the following address

Str. Puskin 20/1, MD-2012, Chisinau, Republic of Moldova

+373-22-262-262

+373-22-262-236

moldova_contact@worldbank.org

8.3. The Grievance Log

Grievances submitted through the channels listed above will be collected by the PIU Communication/M&E Specialist and aggregated in the project Grievance Log. A grievance log will

¹⁴ Online petitions to the Government / ministries are confidential, but cannot be anonymous under the law. The addresses that do not contain the obligatorily requested information in the address form and do not correspond to the requirements for the electronic document, including the application of the digital signature (art. 5.2 of the Law on Petitions no. 190 / 19.07.94), are not examined. During the public consultations and through GMF PIIS, the persons will be informed about the possibility to send anonymous notifications by other means.

be maintained to ensure that each complaint has an individual reference number and is appropriately tracked, and recorded actions are completed.

When receiving feedback, including grievances, the following is defined:

- Type of appeal;
- Category of appeal;
- People responsible for the examination and execution of the appeal;
- Deadline of resolving the appeal; and
- Agreed action plan.

An electronic spreadsheet will be maintained by the responsible staff (Communication/M&E Specialist), tracking all grievances, including resolution status as per details specified above.

The log should contain the following information:

- Name of the project affected person, his/her location and details of his / her complaint;
- Date when complaint was lodged;
- Details of corrective action proposed, name of the approval authority;
- Date when the proposed corrective action was sent to the complainant.

A template of Grievance Log is available in Annex 2.

8.4. Roles and Responsibilities for GM

The Communication/M&E Specialist is assigned as responsible staff in the PIU for aggregating and tracking grievance resolution statistics. The responsibilities for the management of the GM system include the following and may be updated from time to time in consultation with PIU, MoE and the World Bank task teams.

- Overall management of the GM system
- Developing and maintaining awareness-building
- Collection of complaints
- Recording complaints
- Notification to the complainant on the receipt and timeline to review a complaint
- Sorting/categorization of complaints
- Thorough review of the issues, including the causal link between project activities and alleged damage/harm/nuisance
- Decision-making based on such examination
- Processing appeals or continuous communication with complainants with the purpose to resolve issues amicably
- Publishing responses to complaints, unless otherwise is requested by complainants due to privacy or other concerns
- Organization and implementation of information materials and awareness campaigns
- Reporting and feedback on GM results.

8.5. Monitoring and reporting on GM implementation

The procedures related to collecting, registration and resolution of grievances are described in the present SEP. Procedures for resolution of work-related grievances are described in more details in the

Labour Management Procedures as part of the ESMF. SEP updates and updates on the GM system will be made available for all stakeholders.

The PIU will regularly track and monitor the status of complaints to ensure that all grievances are resolved within the established time-frame. The PIU will also report to the World Bank team and to the relevant stakeholders the following information:

- Status of establishment of the GM (procedures, staffing, awareness building, etc.);
- Quantitative data on the number of complaints received, the number that were relevant, and the number resolved;
- Qualitative data on the type of complaints and answers provided, issues that remained unresolved;
- Time taken to resolve complaints;
- Any issues faced with the procedures/staffing;
- Factors that may be affecting the use of the GM/beneficiary feedback system;
- Any corrective measures suggested/adopted.

The PIU will compile a report summarizing stakeholder engagements and complaints results on annual basis. This report will provide a summary of all public consultation issues, grievances and resolutions. This report will be available on-line for general population. The GM will be revised and updated, supplemented as needed with project-specific arrangements and will be publicly disclosed.

9. MONITORING AND REPORTING ON STAKEHOLDER ENGAGEMENT

The SEP will be periodically revised and updated as necessary in the course of project implementation in order to ensure that the information presented herein is consistent and is the most recent, and that the identified methods of engagement remain appropriate and effective in relation to the project context and specific phases of the development. Any major changes to the project related activities and to its schedule will be duly reflected in the SEP. Summaries and internal reports on public grievances, enquiries and related incidents, together with the status of implementation of associated corrective/preventative actions will be collated by responsible staff and referred to the senior management of the project.

The present SEP and GM will guide ODIMM and PFIs to prepare stakeholder engagement procedures consistent with ESS10 and integrate them into the ODIMM ESMS and PFI ESMS to ensure effective consultation on the implementation of the credit guarantees and sub-loan activities.

ODIMM and participating PFIs will be required to develop their own Grievance Mechanisms for receiving and addressing feedback or grievances.

ODIMM and PFIs that select and provide credit loans backed by the partial guarantees may be required to engage in additional outreach and engagement with their prospective beneficiaries. PIU will support ODIMM to monitor stakeholder engagement activities and ensure that they are provided with timely GM reports from PFIs and MSMEs.

ODIMM and PFIs will be made aware of the project SEP and GM and their responsibilities for receipt, response and reporting on complaints and should have the capacity, staff, and resources to comply.

Annex 1. Grievance Registration Form

Reference No: _____

Note: you can remain anonymous if you prefer or request not to disclose your identity to the third parties without your consent. In case of anonymous grievances, the decision will be disclosed and communicated back on the website of the PIU.

First Name _____

Last Name _____

- I wish to raise my grievance anonymously
- I request not to disclose my identity without my consent
- Contact Information

Please mark how you wish to be contacted (telephone, e-mail).

By Telephone: _____

By E-mail _____

I will follow up the resolution at the website as I want to remain anonymous

Preferred Language for communication: Romanian Russian Other (*indicate*)

Description of Incident or Grievance (*What happened? Where did it happen? Who did it happen to? What is the result of the problem? Date of Incident/ Grievance*)

- One-time incident/grievance (date _____)
- Happened more than once (how many times? _____)

Signature: _____ Date: _____

Please return this form to: PIU, Aureliu Casian 180, Stefan cel Mare si Sfânt ave, office 813, MD 2004

Annex 2. Grievance Record Form

| | | | |
|---|---|--------------------------------|----------------|
| GRIEVANCE RECORD FORM <i>Instructions: This form is to be completed by staff receiving the inquiry or grievance and kept in the Project's file. Attach any supporting documentation/letters as relevant.</i> | | | |
| Date Grievance Received: | | Name of Staff Completing Form: | |
| Grievance Received (check <input checked="" type="checkbox"/>): <input type="checkbox"/> MGF/ PFIs <input type="checkbox"/> PIU <input type="checkbox"/> MEI | | | |
| Mode of Filing Inquiry or Grievance (check <input checked="" type="checkbox"/>): <input type="checkbox"/> In person <input type="checkbox"/> Telephone <input type="checkbox"/> E-mail <input type="checkbox"/> Phone Text Message <input type="checkbox"/> Website <input type="checkbox"/> Meeting <input type="checkbox"/> Public consultation <input type="checkbox"/> Other _____ | | | |
| Name of Person Raising Grievance: <i>(information is optional and always treated as confidential)</i> | | | |
| Gender: <input type="checkbox"/> Male <input type="checkbox"/> Female | | | |
| Address or contact information for Person Raising Grievance: <i>(information is optional and confidential)</i> | | | |
| Location where grievance/problem occurred [write in] | | | |
| National: | Regional | Rayon: | City/ Village: |
| Brief Description of Grievance or Inquiry: (Provide as much detail and facts as possible) | | | |
| Category 1 | Social Safeguards | | |
| Category 2 | Environmental Safeguards | | |
| Category 3 | Grievances regarding violations of policies, guidelines and procedures | | |
| Category 4 | Grievances regarding contract violations | | |
| Category 5 | Grievances regarding the misuse of funds/lack of transparency, or other financial management concerns | | |
| Category 6 | Grievances regarding abuse of power/intervention by project or government officials | | |
| Category 7 | Grievances regarding staff performance | | |
| Category 8 | Reports of force majeure | | |
| Category 9 | Grievance about project interventions | | |
| Category 10 | Other | | |
| Who should handle and follow up on the grievance: | | | |
| Progress in resolving the grievance (e.g. answered, being resolved, settled): | | | |