

**P174169. Micro, Small, and Medium Enterprise Access to Finance Emergency and Recovery
Project
Stakeholder Engagement Plan (SEP)**

1. Introduction/Project Description

COVID-19 is one of several emerging infectious diseases (EID) outbreaks in recent decades that have emerged from animals being in contact with humans, resulting in major outbreaks with substantial public health and economic impacts. The last moderately severe influenza pandemics were in 1957 and 1968; each killed more than a million people around the world. For COVID-19, whilst around 2 percent of the people worldwide confirmed as having been infected have died, World Health Organization (WHO) has been careful not to describe that as a mortality rate or death rate. This is because in an unfolding epidemic it can be misleading to look simply at the estimate of deaths divided by cases so far. Hence, given that the actual prevalence of COVID-19 infection remains unknown in most countries, it poses unparalleled challenges with respect to global containment and mitigation. These issues reinforce the need to strengthen the response to COVID-19 across all countries to minimize the global risk and impact posed by this disease.

This SEP is for the Lao PDR Micro, Small, and Medium Enterprise Access to Finance Emergency and Recovery Project (P174169) (the Project) and is planned to be a continuation of the existing World Bank funded project Lao PDR – Small and Medium Enterprise Access to Finance Project (P131201), which is being successfully implemented by the Ministry of Industry and Commerce (MOIC) and commercial banks in Lao PDR.

In order to manage and implement this new project effectively, DOSMEP will maintain the same Project Implementation Arrangements used for the on-going project. This also applies for the environmental and social arrangements. The PMU and the commercial banks joining this project will assign both a senior management representative to have overall accountability for environmental and social performance (including on stakeholder engagement and grievance mechanisms) plus a staff member or consultant as E&S Focal Point to manage the day-to-day implementation of the environmental and social aspects.

The Project comprises the following components:

- **Component 1: Establishment of a Partial Credit Guarantee facility (US\$8 million).** The project will support the government of Lao PDR in establishing a PCG to support continued access to finance for Micro, Small, and Medium Enterprises (MSMEs) by reducing credit risk for participating financial institutions, thereby addressing current issues of risk averseness. The design of the scheme will draw on “Principles for Public Credit Guarantee Schemes for MSMEs”, tailored to the Lao context, whilst ensuring that the pricing and fee structures are tailored to be responsive to crisis and recovery.

This component will support the design, operationalization and capitalization the of a Partial Credit Guarantee facility (PCG). The following activities will be supported amongst others: i) design the component of the World Bank project (conduct a market scoping study including potential interim arrangements); (ii) preparation and development of a business plan and financial model, including governance arrangements; iii) preparation of operational policies and procedures for the PCG, and iii) capitalization of the PCG with IDA funds. The project will provide advisory support to Government and an independent Fund Manager in the design and implementation of the PCG.

A tiered capitalization strategy will be pursued. The legal structure of the PCG will include a funding structure which permits multiple funds to be set up. This will allow the PCG flexibility to raise capital from different stakeholder groups, including public and private sector interests, as well as the donor community.

- **Component 2: Emergency and Recovery Line of Credit to MSMEs (US\$27 million).** This component will provide lines of credit to eligible PFIs, which will onlend funds to MSMEs and bear the credit risk. The project will offer two windows: i) emergency; and ii) recovery, with separate pricing arrangements for each. The emergency window aims to address MSMEs liquidity challenges and will strive to offer below market interest rates to final borrowers during the emergency phase. The project will achieve this by extending financing to selected financial institutions at subsidized rates, with the expectation that the subsidy will be passed on to MSMEs in the form of below market interest rate. To enforce this (without establishing an interest rate cap which is not permitted under OP10), funds will be allocated on a competitive auction basis. DOSMEP and World Bank, in consultation with MOF and BOL, will determine when to close the emergency window based on agreed upon criteria related to economic and financial sector performance. The second window for the recovery phase will function similar to current project with funds onlent to PFIs at market or near market rates based on analysis of market conditions, and PFIs will determine interest rates to final borrowers according to market principles. This approach builds in a path back to market rates.
- **Component 3: Technical Assistance and Project Management (US\$5 million).** Given the emergency nature of the project, the technical assistance component will have a narrow focus on supporting implementation of components one and two, building off previous TA and allow for a minimal amount of new technical assistance to support DOSMEP policies and programs. The main areas of technical assistance include the following: TA to Participating Financial Institutions, TA to MSMEs, TA to DOSMEP plus Monitoring and Evaluation.
- **Component 4: CERC.** In the event of an Eligible Crisis or Emergency, the project will contribute to providing immediate and effective response to said crisis or emergency. The allocation to this component is to minimize time spent on a reallocation of funds from programmed activities. The unused amount can be reallocated to other components if the CERC component is not triggered a year prior to project closing.

The Project is being prepared under the World Bank's Environment and Social Framework (ESF). As per the Environmental and Social Standard ESS 10 Stakeholder Engagement and Information Disclosure, the implementing agencies should provide stakeholders with timely, relevant, understandable and accessible information, and consult with them in a culturally appropriate manner, which is free of manipulation, interference, coercion, discrimination and intimidation.

The overall objective of this SEP is to define a program for stakeholder engagement, including public information disclosure and consultation, throughout the entire Project cycle. The SEP outlines the ways in which the project team will communicate with stakeholders and includes a mechanism by which people can raise concerns, provide feedback, or make complaints about the Project and any activities related to the project. The involvement of the local population is essential to the success of the project in order to ensure smooth collaboration between project staff and local communities and to minimize and mitigate

environmental and social risks related to the proposed project activities. In the context of infectious diseases, broad, culturally appropriate, and adapted awareness raising activities are particularly important to properly sensitize the communities to the risks related to infectious diseases.

2. Stakeholder Identification and Analysis

Project stakeholders are defined as individuals, groups or other entities who:

- (i) are impacted or likely to be impacted directly or indirectly, positively or adversely, by the Project (also known as 'affected parties'); and
- (ii) may have an interest in the Project ('interested parties'). They include individuals or groups whose interests may be affected by the Project and who have the potential to influence the Project outcomes in any way.

Cooperation and negotiation with the stakeholders throughout the Project development often also require the identification of persons within the groups who act as legitimate representatives of their respective stakeholder group, i.e. the individuals who have been entrusted by their fellow group members with advocating the groups' interests in the process of engagement with the Project. Community representatives may provide helpful insight into the local settings and act as main conduits for dissemination of the Project-related information and as a primary communication/liason link between the Project and targeted communities and their established networks. Verification of stakeholder representatives (i.e. the process of confirming that they are legitimate and genuine advocates of the community they represent) remains an important task in establishing contact with the community stakeholders. Legitimacy of the community representatives can be verified by talking informally to a random sample of community members and heeding their views on who can be representing their interests in the most effective way. With community gatherings limited or forbidden under COVID-19, it may mean that the stakeholder identification will be on a much more individual basis, requiring different media to reach affected individuals.

2.1 Methodology

In order to meet best practice approaches, the Project will apply the following principles for stakeholder engagement:

- *Openness and life-cycle approach*: public consultations for the project(s) will be arranged during the whole life-cycle, carried out in an open manner, free of external manipulation, interference, coercion or intimidation;
- *Informed participation and feedback*: information will be provided to and widely distributed among all stakeholders in an appropriate format; opportunities are provided for communicating stakeholders' feedback, for analyzing and addressing comments and concerns;
- *Inclusiveness and sensitivity*: stakeholder identification is undertaken to support better communications and build effective relationships. The participation process for the projects is inclusive. All stakeholders at all times are encouraged to be involved in the consultation process. Equal access to information is provided to all stakeholders. Sensitivity to stakeholders' needs is the key principle underlying the selection of engagement methods. Special attention is given to

vulnerable groups, in particular women, youth, elderly and the cultural sensitivities of diverse ethnic groups; and

- *Flexibility*: if social distancing inhibits traditional forms of engagement, the methodology should adapt to other forms of engagement, including various forms of internet communication. (See Section 3.2 below).

For the purposes of effective and tailored engagement, stakeholders of the proposed Project can be divided into the following core categories:

- **Affected Parties** – persons, groups and other entities within the Project Area of Influence (PAI) that are directly influenced (actually or potentially) by the project and/or have been identified as most susceptible to change associated with the project, and who need to be closely engaged in identifying impacts and their significance, as well as in decision-making on mitigation and management measures;
- **Other Interested Parties** – individuals/groups/entities that may not experience direct impacts from the Project but who consider or perceive their interests as being affected by the project and/or who could affect the project and the process of its implementation in some way; and
- **Vulnerable Groups** – persons who may be disproportionately impacted or further disadvantaged by the Project as compared with any other groups due to their vulnerable status and that may require special engagement efforts to ensure their equal representation in the consultation and decision-making process associated with the Project.

2.2. Affected Parties

Affected Parties include local communities, community members and other parties that may be subject to direct impacts from the Project. Specifically, the following individuals and groups fall within these categories:

- Micro, Small and Medium Enterprises;
- Participating Financial Institutions (PFIs);
- Bank of Laos (BOL);
- Ministry of Finance; and
- Lao National Chamber of Commerce and Industry (LNCCI).

2.3. Other Interested Parties

The Projects' stakeholders also include parties other than the directly affected communities, including:

- Users of the products/services of Micro, Small and Medium Enterprises;
- Government officials, including Municipal Administration village administrations, environmental protection authorities, health authorities, planning and Investment, Agriculture and Forestry, Culture, Information and Tourism, Labor and Social Welfare, Poverty Reduction and Rural Development, Mass Media authorities, NGOs, etc.;

- Service Providers (Business Development Service Providers), Consulting Firms;
- Lao Women’s Union; and
- Lao National Front for Development – due to its role of representative of Indigenous Peoples at national level in Lao PDR.

2.4. Disadvantaged / Vulnerable Individuals or Groups

It is particularly important to understand whether project impacts 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 and to ensure that awareness raising and stakeholder engagement with disadvantaged or vulnerable individuals or groups on infectious diseases and medical treatments in particular, be adapted to take into account such groups or individuals particular sensitivities, concerns and cultural sensitivities and to ensure a full understanding of project activities and benefits.

In addition, provisions need to be in place to ensure that vulnerable groups owners of MSMEs are fully consulted in a culturally-appropriate manner about, and have opportunities to benefit from, the Project activities.

The vulnerability may stem from person’s origin, gender, age, health condition, economic deficiency and financial insecurity, disadvantaged status in the community (e.g. minorities or fringe groups), dependence on other individuals or natural resources, etc. Engagement with the vulnerable groups and individuals often requires the application of specific measures and assistance aimed at the facilitation of their participation in the project-related decision making so that their awareness of and input to the overall process are commensurate to those of the other stakeholders.

The project will also need to make sure that the disadvantaged / vulnerable individuals or groups receive meaningful information to understand the loan conditions and penalties, more likely to default.

Within the Project, the vulnerable or disadvantaged groups may include and are not limited to the following:

- Ethnic groups;
- Women;
- Elderly people;
- Children, particularly those that are malnourished;
- Those with underlying health conditions e.g. diabetes, cancer, hypertension, coronary heart diseases, and respiratory diseases, amongst others;
- Persons with disabilities including physical and mental health disabilities;
- Single parent headed households, male and female; and
- Poor, economically marginalized, and disadvantaged groups.

Vulnerable groups within the communities affected by the project will be further confirmed and consulted through dedicated means, as appropriate, this may include encouraging the translation of information or awareness raising through culturally appropriate means, using representatives of these groups.

Description of the methods of engagement that will be undertaken by the project is provided in the following sections.

3. Stakeholder Engagement Program

3.1. Summary of Stakeholder Engagement Undertaken During Project Preparation

The speed and urgency with which this Project has been developed to meet the growing threat of the social and economic impacts of COVID-19 in the country, combined with recently-announced government restrictions on gatherings of people has limited the Project's ability to develop a complete SEP before this Project is approved by the World Bank. This initial SEP was developed and disclosed prior to Project appraisal, as the starting point of an iterative process to develop a more comprehensive stakeholder engagement strategy and plan. It will be updated periodically as necessary, with more detail provided in the first update planned after project approval.

3.2. Summary of Project Stakeholder Needs and Methods, Tools and Techniques for Stakeholder Engagement

A precautionary approach will be taken to the consultation process to prevent infection and/or contagion, given the highly infectious nature of COVID-19. This will include seeking alternative ways of communication and engagement, rather than deferring stakeholder engagement. The following are some considerations for selecting channels of communication, in light of the current COVID-19 situation:

- Avoid public gatherings (taking into account national restrictions or advisories), including public hearings, workshops and community meetings;
- If smaller meetings are permitted/advised, conduct consultations in small-group sessions, such as focus group meetings. If not permitted or advised, make all reasonable efforts to conduct meetings through online channels;
- Diversify means of communication and rely more on social media and online channels. Where possible and appropriate, create dedicated online platforms and chatgroups appropriate for the purpose, based on the type and category of stakeholders;
- Employ traditional channels of communications (TV, newspaper, radio, dedicated phone-lines, and mail) when stakeholders do not have access to online channels or do not use them frequently. Traditional channels can also be highly effective in conveying relevant information to stakeholders, and allow them to provide their feedback and suggestions;
- Where direct engagement with project affected people or beneficiaries is necessary, identify channels for direct communication with each affected household via a context specific combination of email messages, mail, online platforms, dedicated phone lines with knowledgeable operators;
- Each of the proposed channels of engagement should clearly specify how feedback and suggestions can be provided by stakeholders.

It should also be noted that an introductory meeting was held in Vientiane on the 19 June 2020 (minutes are included in Annex 1) and further meetings will be held in 24 August 2020 (included in Annex 2). In line with the above precautionary approach, different engagement methods are proposed and cover different needs of the stakeholders as below:

3.3. Proposed Strategy for Information Disclosure

Project stage	Target stakeholders	List of information to be disclosed	Methods and timing proposed
Preparation, prior to the Effective date	MOIC, Ministry of Finance (MOF) Bank of Laos (BOL) Commercial Banks, MSMEs Others as required	Environmental and Social Commitment Plan (ESCP). Stakeholder Engagement Plan (SEP) and Grievance Mechanism (GM). Environmental and Social Management System (ESMS).	The draft SEP and Environmental and Social Commitment Plan (ESCP), including a summary in Lao language, has been disclosed at the DOSMEP's webpage on August 22, 2020 (http://dosmep.org/download-info-2/). Internet pages Social media pages Where deemed as being required, translation of materials will be undertaken.
Implementation	MOIC, MOF, BOL Commercial Banks Others as required	Final version of the above documents. Communication materials (in Lao and ethnic groups languages)	Internet pages Social media pages Brochures Public service announcements Communication materials will be made available to explain the availability of the financing, with special attention to the most vulnerable stakeholders (ethnic groups, women) Where deemed as being required, translation of materials will be undertaken.

3.4. Stakeholder Engagement Plan

Project stage	Topic of consultation / message	Method used	Target stakeholders	Responsibilities
Preparation, prior to the Effective date	The Project and its activities.	Share through email and virtual meetings Engagement with representatives of relevant groups e.g. those for women and minority groups	MOIC Commercial Banks, MSMEs Disadvantaged/vulnerable groups Others as required	DOSMEP with support from consultants
	Introduce the Project's E&S documents.	National workshop	MOIC Commercial Banks, MSMEs Disadvantaged/vulnerable groups Others as required	DOSMEP with support from consultants
Implementation	Updated E&S project documents for the Project	Share through email and virtual meetings Engagement with representatives of relevant groups e.g. those for women and minority groups	MOIC Commercial Banks, MSMEs Disadvantaged/vulnerable groups Others as required	DOSMEP with support from consultants

3.5. Proposed Strategy to Incorporate the Views of Vulnerable Groups

The Project will carry out targeted stakeholder engagement with vulnerable groups (by engaging with representatives of these groups, such as Lao National Front for Development for ethnic minorities or the Lao Women Union) to understand concerns/needs in terms of accessing information, medical facilities and services and other challenges they face at home, at work places and in their communities. The details of strategies that will be adopted to effectively engage and communicate to vulnerable group will be considered during project implementation, where required.

3.6. Reporting Back to Stakeholders

Stakeholders will be kept informed as the project develops, including reporting on project environmental and social performance and implementation of the stakeholder engagement plan and grievance mechanism.

4. Resources and Responsibilities for Implementing Stakeholder Engagement Activities

4.1. Resources

DOSMEP, as project's PMU, will be in-charge of the overall coordination of the stakeholder engagement activities.

The PMU and the commercial banks joining this project will assign both a senior management representative to have overall accountability for environmental and social performance (including on stakeholder engagement and grievance mechanisms) plus a staff member or consultant as E&S Focal Point to manage the day-to-day implementation of the environmental and social aspects. This will also apply for the stakeholder engagement activities

The budget for the SEP is included as a component of the Project.

4.2. Management Functions and Responsibilities

The entities responsible for carrying out stakeholder engagement activities are DOSMEP.

The stakeholder engagement activities will be documented through an annual report.

5. Grievance Mechanism

The main objective of a Grievance Mechanism (GM) is to assist to resolve complaints and grievances in a timely, effective and efficient manner that satisfies all parties involved. Specifically, it provides a transparent and credible process for fair, effective and lasting outcomes. It also builds trust and cooperation as an integral component of broader community consultation that facilitates corrective actions. Specifically, the GM:

- Provides affected people with avenues for making a complaint or resolving any dispute that may arise during the course of the implementation of the Project;

- The focus of this GRM are the concerns about environmental and social harm; ES policy non-compliance. Complaints associated with financial administration and management should be dealt with through the existing channels of the involved commercial banks;
- Ensures that appropriate and mutually acceptable redress actions are identified and implemented to the satisfaction of complainants; and

Stakeholders were consulted about this grievance mechanism during the stakeholder engagement process to ensure its accessibility and adequacy.

All information about grievance procedures, grievance forms and responses will be available in English and Lao language. In order to facilitate women, ethnic groups and vulnerable people's access to the mechanism, they will be specifically consulted to ensure they are able to access the grievance mechanism.

5.1. Description of the Grievance Mechanism

Grievances will be handled at the national level by DOSMEP.

The GM will include the following steps and indicative timelines:

Step 1: Submission of grievances either orally or in writing to DOSMEP/PMU.

Step 2: Recording of grievance and providing the initial response within 24 hours.

Step 3: Investigating the grievance and Communication of the Response within 5 working days.

Step 4: Complainant Response: either grievance closure or taking further steps if the grievance remains open. If grievance remains open, complainant will be given opportunity to appeal to MOIC.

The GM will provide an appeal process if the complainant is not satisfied with the proposed resolution of the complaint. Once all possible means to resolve the complaint has been proposed and if the complainant is still not satisfied then they should be advised of their right to legal recourse.

It is important to have multiple and widely known ways to register grievances. Anonymous grievances can be raised and addressed. Several uptake channels under consideration by the Project include:

- DOSMEP website: <https://dosmep.org/contact-us/>
- DOSMEP telephone line: +856 21 414064
- Email: psengkeo99@gmail.com
- Letter to DOSMEP
- Walk-ins may register a complaint at DOSMEP

Once a complaint has been received, by any and all channels, it should be recorded in the complaints logbook or grievance excel-sheet/grievance database. The GRM (number, type, and resolution status of complaints) will be reported on to the bank as part of the annual reporting.

6. Monitoring and Reporting

6.1. Reporting Back to Stakeholder Groups

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. Annual 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 Annual summaries will provide a mechanism for assessing both the number and the nature of complaints and requests for information, along with the Project's ability to address those in a timely and effective manner. Information on public engagement activities undertaken by the Project during the year may be conveyed to the stakeholders by the publication of a standalone annual report on Project's interaction with stakeholders available on the DOSMEP website.

Annex 1 – Minutes of the Meeting Held on the 19 June 2020

Time: 19 June 2020

Location: Vientiane

Objective of the meeting: presentation of the Environmental and Social aspects of the Micro, Small, and Medium Enterprise Access to Finance Emergency and Recovery Project

Participants: The meeting was chaired by Mr Bountheung Douangsavanh, DG of DOSMEP and participated by 37 people from DOSMEP including consultants, MPI, MOF, BOL, Lao Chamber of Commerce and 15 Commercial Banks (SACOM, LDB, Lao China Bank, Maluhan Japan, JDB, Phongsavanh, Canadia Bank, Lao Viet Bank, Vietcom, BIC Laos, APB, Lao Vietin, Acelida, STB , Indochina and BCEL).

Main points discussed are summarized below:

1.- Main differences between old safeguard policies and ESF include:

- Main The general approach changes: from “Do not harm” to “Maximizing development gains”
- Assessing and managing not only ES impacts, but also ES risks;
- Some standards are like previous safeguards policies (ESS3, ESS5, ESS7), but others can be considered new (ESS2, ESS4).
- ESS9: FIs will be likely mainly applied under the new project with national system/legislations promoted to be adopted where consistent with ESF of the WB;
- Environmental and Social Commitment Plan (ESCP) is required to be established and agreed between WB and DOSMEP. ESCP will set out the material measures and actions required for the project to meet the ESSs over a specified timeframe. The ESCP will form part of the legal agreement and is required to be cleared and disclosed prior to project appraisal.

2.- Q&As

- *Mr Bountheung*: Will ESCP and ESMF be required to be prepared by all participating bank/FIs or only DOSMP/PIU?

Only the project implementing agency (DOSMEP) is required to prepare ESCP, SEP and ESMF to be applied under the project, IFs and SMEs. ESF requirements and obligations for IFs will be provided in the loan agreement to be made between DOSMEP and participating FIs. This needs to be further discussed and firmed up with the WB by email or in a letter by the WB asap.

- *Canadia Bank*: How to apply for loan and membership under the new project? What terms and conditions for loan repayment? How fund will be allocated to each participating FI and if a list of borrowers/SMEs would be required as a supporting evidence for fund allocation? What is % of interest rate (IR) will be charged by DOSMEP?

Mr Bountheung: An application form for the fund and membership is available from DOSMEP. Initially, interested banks may submit a brief letter expressing their interest to participate in the project to DOSMEP for long-listing review and discussion. GoL/DOSMEP establishes a financing

agreement with the World Bank for a period of 25 years and lending agreements with individual IFs for 10 years. % of IR would depend on that to be charged by WB. A lumpsum loan will be allocated to FIs in advance subject to the number of participating FIs and capacity as well creditability of the FIs.

- *Phongsavanh bank*: Asked who screens and decides on fund allocation to each FI? Who reviews and approves ESF compliance by FIs/banks?

Mr Bountheung: As discussed early, DOSMEP reviews applications received and decides on fund allocation to the applicants. Criteria for selecting FIs and lending process under the proposed new project is still to be discussed with WB and will be shared by PIU as soon as the guideline is finalized.

- *BCEL*: What and how many forms are required to be filled in to apply for membership? What is FI selection criteria?

Mr Bountheung: As early explained, we will send out the guideline and provide further explanation on the criteria and process of selecting FIs as soon as it's finalized. At this stage, only a brief letter of expression of interest (LOEI) may be submitted for our records and assessment with the WB. The LOEI is subject to further review. Final decision on selection and fund allocation will be made after the project guideline is finalized and approved by the WB.

- *SACOM* expressed its interest to apply and participate in the new project and asked (i) if the new ESF will apply for those old/current SMEs/borrowers participating in the original/ongoing project but want apply for a new sub-loan under the new project? and (ii) what if the old SMEs/borrowers failed to comply with safeguard requirements (such as EMP, ECOP) under the original project, but want to reapply for a new sub-loan under either original and new projects?

The WB's specialist that these issues are still be discussed and clarified in project guideline (POM). My initial thought is that the new ESF will only apply for both the old and new SMEs who re-apply for sub-loan under the new project. Participating FIs/banks are responsible for monitoring and assessing safeguard compliance by SMEs in consultation with DOSMEP safeguard focal point and consultant. As per EIA Decree, 2016, PONRE shall be engaged in IEE compliance monitoring and review ECC issued (at least every two years). The WB's specialist advised that DOSMEP should have a meeting with DNEP of MONRE to discuss this and seek support and waiver in IEE review and approval process.

- *BOL* informed of loan received from EU and GIZ to support Rural access to finance program through microfinance institutions to support rural poor small holders and famers. A credit risk guarantee fund is still under discussion on possibility.

Annex 2 – Minutes of the Meeting Held on the August 24, 2020
Minutes of the Meeting
“Disclosure of the Environmental and Social Commitment Plan (ESCP) and
Stakeholder Engagement Plan (SEP), part of
the World Bank's Environmental and Social Framework (ESF) Framework”,
On 24 August 2020, at Crowne-Plaza Hotel, Vientiane Capital

Time: 8:30-11:45 AM, 24 August 2020

Location: Crowne-Plaza Hotel, Vientiane Capital

Objective of the meeting: Presentation of the Environmental and Social Commitment Plan (ESCP) and the Stakeholder Engagement Plan (SEP) of the Micro, Small, and Medium Enterprise Access to Finance Emergency and Recovery Project.

Invitees: 34 from 14 organisations

Participants: The meeting was chaired by Mr Bountheung Douangsavanh, Director General (DG) of DOSMEP and participated by 32 people from 14 organisations including DOSMEP (including project staff and consultants), MPI, MOF, BOL, MONRE, MIC (Department of Planning and Cooperation), Lao Chamber of Commerce, SME Association, World Bank Lao Office, BCEL, Maruhan, Lao-China, Lao-Viet, Sacom, ST, Canadian Bank.

Main areas of discussion are summarized below:

1. An introduction by Mr. Bountheung Douangsavanh DG of DOSMEP: The DG explained the background, objectives of the project to help SMEs cope with the impact of Covid-19, the progress of project preparation and the purpose of the meeting. At the outset, DG briefed about the importance of E&S related aspects for business/MSMEs. He also gave the background and emphasized the compliance of E&S's requirements, which are the main conditions under WB funded Projects that borrowers must follow with respect to the E&S requirements, in order to protect the E&S environment damage from business operations. However, he mentioned that the implementation of E&S requirements should be simplified and practical the Lao MSMEs (it should not be a burden and increased costs for PFIs and MSMEs). He emphasised to the participants that the E&S requirements were developed by the WB team, according to the existing E&S Law of the Government of Laos.
2. A presentation on the ESCP was provided that included (see annex 1):
 - Context and background, including the interaction with the World Bank Environmental & Social Framework.
 - Overview of its purpose and structure.
 - Material actions and measures to be taken under the ESCP.
3. A presentation on the SEP was provided that included (see annex 2):
 - Context and background.
 - Overview of its purpose and structure.

Feedback, Question and Answer summary:

Main questions/Comments	Answers/Comments	Remark/ Follow-up
<p>SME association:</p> <p>General comments:</p> <ul style="list-style-type: none"> - It is important to balance sustainable development/ environment management and business development. Sustainable development and growth are important and needed, but high requirements and criteria could discourage MSME to borrow. Meanwhile, the lowering criteria may impact on the effectiveness and sustainable growth. - How can project and the association work together to create a central hub to provide training for MSMEs? - There is a need to create and share successful models or examples (lessons learnt from other countries related to access to finance, sustainable and environment management in MSME, especially in the context of COVID-19) <p>SEP:</p> <ul style="list-style-type: none"> - Stakeholders should include suppliers and others in the MSME value chain 	<p>Chairman:</p> <ul style="list-style-type: none"> - Agreed about employing sustainable development and green growth, successful models, and engaging stakeholders in the value chain - MSMEs capacity building and training will be provided under the Technical Advisory (TA) component. 	<p>DOSMEP/pre project to revisit the list of stakeholders identified in the SEP</p>
<p>SME association (SME/HERWORK):</p> <p>General or others:</p> <ul style="list-style-type: none"> - Apart from high interest rate, 10% VAT is a barrier for MSME including handicraft businesses, are there any incentives and policies to exclude or relax the tax (in general and under the project) for MSMEs, especially social enterprises? 	<p>Chairman:</p> <ul style="list-style-type: none"> - It depends on the agreements reached with the MOF, but efforts are underway to ease impediments to MSME borrowing 	<p>-</p>
<p>SME association:</p> <p>SEP and ESCP:</p> <ul style="list-style-type: none"> - Is it possible to disclose the project, especially ESCP and SEP on the SME association website or page, apart from DOSMEP's? 	<p>Chairman and E&S safeguard specialist:</p> <ul style="list-style-type: none"> - Agreed. Project information and documents will be disclosed via several channels 	<p>DOSMEP/Project will study which channels are appropriate or doable.</p>
<p>SME association (SME/HERWORK):</p>	<p>Chairman:</p>	<p>-</p>

Main questions/Comments	Answers/Comments	Remark/ Follow-up
<ul style="list-style-type: none"> - Is the project/sub-loan only available to registered MSMEs? Or how might it be possible to assist in building capacity and potential for MSMEs (who have not been registered) to access financing from the project? Several MSMEs have access to informal credit/ loans, on which the interest rate is as high as 3-4% per month. One of the SME association's interest and role is to create a clinic to assist the MSME to access financing. 	<ul style="list-style-type: none"> - In accordance with the SME law dated 2011 and decree in 2017, only registered MSME are eligible for the project/sub-loan. It is known and understand that, based on the World Bank study, the key problems of the SMEs are access to finance, informality, and the cost of electricity. So, the government encourages registration, and promotes fairness (between registered and unregistered). Currently, business registration is quite fast. It takes about a week or two. 	
<p>Department of Environment, Ministry of Natural Resources and Environment</p> <ul style="list-style-type: none"> - The department is drafting decree on environment management for MSMEs. Under the decree, MSMEs are divided into 4 sectors: agriculture-forestry, industry, trading and services, and environmental safeguard requirements vary between the sector. 	<ul style="list-style-type: none"> - It is important that the classification of sector is in line with those defined in the law on SMEs, which is divided into production, trading/commercial and service. 	-
<p>Maruhan Bank</p> <ul style="list-style-type: none"> - Maruhan bank considers both registered and unregistered MSMEs for lending. The important considerations are accounts and the financial and economic analysis. However, unregistered MSMEs need to provide at least 6 months of financial report/record including income and expense to the bank for consideration. More complex businesses are required to provide 1-2 years of accounts. 	-	-
<p>SME association:</p> <ul style="list-style-type: none"> - It is well-known what barriers the MSMEs face to be able to access finance. Readiness, capital, and support are urgently needed. 	-	-
<p>Sacom Bank</p> <ul style="list-style-type: none"> - The difficulties in accessing finance are the MSME's lack of information and 	<p>Chairman and E&S safeguard specialist:</p>	-

Main questions/Comments	Answers/Comments	Remark/ Follow-up
<p>awareness on the credit/loan. Sacom bank operates loans that have different schemes and interest (3, 4.5 and 7% per year) and each has different requirements and criteria. For example, for the 7% per year loan (under A2F project), MSMEs are required to follow the E&S safeguard requirements. The 4.5% per year loan is for COVID-19 affected MSMEs only.</p> <ul style="list-style-type: none"> - Sacom Bank is ready to work with DOSMEP, LNCCI and SME association to provide information to the MSMEs and facilitate access to finance. - Sacom bank is concerned in overseeing and coordinating E&S safeguards including staffing since the bank staff are lacking knowledge and experience on E&S safeguards 	<p>The project will have TA to support the PFIs to implementation E&S safeguard measures and comply with the project, the World Bank and Lao PDR's E&S safeguard policies.</p>	
<p>SME association (HERWORK):</p> <ul style="list-style-type: none"> - Is it possible to exclude the collateral and use a bankbook as a financial report/record for reference for borrowing from a bank? 	<p>Maruhan bank:</p> <ul style="list-style-type: none"> - Financial evidence and background information, or at least 6 months accounts are needed. - Using the QR Code of the bank is recommended, and those MSMEs that use the code will not need to provide the financial record and no collateral for borrowing money less than US\$ 50,000. - The credit information system is quite advanced, wherever the MSMEs borrow money, it is recorded and trackable via the system. MSMEs that have borrowed money from various financial institutions, especially leasing companies might be discredited - The majority of the MSMEs lack learning and self-development, especially for their accounting systems. 	-

Main questions/Comments	Answers/Comments	Remark/ Follow-up
	<p>Chairman:</p> <ul style="list-style-type: none"> - Collateral, in general, is needed for security, whilst other options without collateral are preferable. - This project provides credit guarantee to the PFIs and TA to assist the MSMEs including business planning and E&S safeguards. These will increase confidence and reliability of the PFIs and MSMEs to access to finance 	
<p>SME association:</p> <ul style="list-style-type: none"> - Are there TA or financial resources to assist or cover E&S cost? 	<p>Chairman and E&S safeguard specialist:</p> <ul style="list-style-type: none"> - Only TA (indirect). However, the project has had discussions and will study further, including consultation with MONRE on how to alleviate or cover the cost on E&S safeguards. 	<p>DOSMEP/Project will study further including consultation with MONRE a model and how to alleviate or cover the cost on E&S safeguards.</p>

Meeting wrap-up by DG: Today’s meeting was a second significant meeting and is the first step in disclosing the E&S (ESCP and SEP) surrounding the new development project. We have a lot of work remaining to do, in order to create a specific, streamlined and simplified model of E&S Implementation process based on the good discussion we had today. DOSMEP has a lot of confidence in the E&S Expert team and all key stakeholders. DG encouraged all participants at meeting, especially PFIs to share knowledge and information that they have absorbed from E&S Experts today to explain to their senior management in a very clear manner so that they understand, in order to implement it efficiently. For the next step, it is more important that the Commercial Banks should have good cooperation with the E&S expert team and engage in how to design the E&S implementation process, to keep it more streamlined and simplified. Again, we need to get more cooperation from MONRE to reconsider package of the specific E&S requirements and easily practice for MSMEs including the cost of implementation, consultation service fee and certification, and what fee and requirements would be able to be exempted. The purpose is to support PFIs and MSMEs to cope with the impact of Covid 19. Currently, our government has no funds to subsidize this fee due to the current economic situation as a result of the COVID-19 Pandemic.

Finally, DG-on behalf of DOSMEP and team thanked everyone who participated today, especially Mr. Oliver Warner and Mr. or Mone Nuansivong (E&S Experts) and look forward to the next meeting to develop a more streamlined E&S process for the project.

Chairman
Director General of DOSMEP

Minutes taker