



Appraisal Environmental and Social Review Summary

Appraisal Stage

(ESRS Appraisal Stage)

Date Prepared/Updated: 06/24/2020 | Report No: ESRSA00918



BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Kyrgyz Republic	EUROPE AND CENTRAL ASIA	P174028	
Project Name	Emergency Support for MSMEs Project		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Finance, Competitiveness and Innovation	Investment Project Financing	6/15/2020	7/30/2020
Borrower(s)	Implementing Agency(ies)		
Ministry of Finance of Kyrgyz Republic	Project Implementation Unit at the Ministry of Finance (Kyrgyz Republic)		

Proposed Development Objective(s)

The Project Development Objective is to support MSMEs in response to and during the recovery from the COVID-19 crisis.

Financing (in USD Million)	Amount
Total Project Cost	100.00

B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

Yes

C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

The Kyrgyz economy faces an unprecedented challenge stemming from the COVID-19 crisis with a simultaneous shock to demand through a decline in consumer willingness and ability to spend and to supply through disruptions to supply chains and labor markets. The crisis will have both an immediate and medium-term impact on the private sector, and, in turn, on the financial sector. Small and medium enterprises (SMEs) face an imminent threat in their ability to meet short-term operational needs and expenses (i.e., payroll, utility, rents, and payment to suppliers), which could bring a number of otherwise viable businesses to bankruptcy, transforming a short-term crisis into a long-term disruptor of productivity, job creation and growth. This situation will be worsened, if the financial sector decides to deleverage



and reduce the availability of finance, in expectation that many of the borrowers might default in the future, thereby generating a “knock-on” effect on the economy. Without targeted interventions, the outcome could be widespread closure of SMEs and permanent, large-scale layoffs. Furthermore, the real sector crisis might create additional stress on the financial sector.

The Investment Project Financing addresses the urgent need for assistance to support the Kyrgyz Republic Government’s efforts to respond to the challenge the COVID-19 pandemic poses to the resilience of its private and financial sectors. The proposed operation aims to support the economy in weathering the impact of the crisis by (i) providing direct support to firms with short-term reimbursable financial assistance to enable them to continue their operations, and (ii) providing portfolio guarantees to financial institutions for loans extended to private firms affected by the economic impact of the coronavirus outbreak.

D. Environmental and Social Overview

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

The Kyrgyz Republic is a landlocked, mountainous, lower middle income country with a population of 6.2 million and a per capital gross national income of US\$ 1220. It is one of the poorest countries in Europe and Central Asia with an economy dominated by minerals extraction, agriculture, and reliance on remittances from citizens working abroad. Incomes in recent years have decreased substantially due to the fall in gold prices and deterioration of Russian economy, from which the majority of remittances originate.

The Kyrgyz Republic’s human development index (HDI) value for 2018 is 0.674— which puts the country in the medium human development category—positioning it at 122 out of 189 countries and territories. The Multi-Dimensional Poverty Index (MPI), which identifies multiple overlapping deprivations suffered by individuals in 3 dimensions- health, education and standard of living- indicate that: 2.3 percent of the population (138 thousand people) are multidimensionally poor while an additional 8.3 percent are classified as vulnerable to multidimensional poverty (502 thousand people). The breadth of deprivation (intensity) in the Kyrgyz Republic, which is the average deprivation score experienced by people in multidimensional poverty, is 36.3 percent. Thus, vulnerability remains widespread with a large percentage of the population being clustered near the poverty line. In the COVID-19 context, the Kyrgyz Republic’s 1,03 Km of border with China, which runs from tripoints with Kazakhstan and Tajikistan, respectively, is largely impassable, with goods and traffic from China entering the Kyrgyz Republic primarily via Kazakhstan. This proximity to China, Uzbekistan, and Tajikistan puts the country at risk of increased COVID-19 infections as the number of cases in Central Asia region is growing.

Social differences in the country include: the urban/rural divide and continuing regional disparities – e.g., between the richer north (that looks outward towards China, Kazakhstan, and Russia) and the south, which is a part of the Fergana Valley. These divisions are exacerbated by other sub-national risks such as urban overpopulation, youth unemployment and marginalization, along with the growing specter of religious radicalization. In this backdrop, long-term stability and growth thus depends upon meaningful inter-ethnic reconciliations and policies to accelerate inclusion, especially through stimulating growth, faster job creation and significant improvements in public service delivery. The impact of social protection measures – such as subsidized utility tariffs and generous co-payment exemptions in health – has been blunted by poor targeting, with benefits reaching only a fraction of the poor while deepening the structural deficit.



The COVID-19 crisis is likely to cause a prolonged economic slowdown resulting in sudden job and income losses, which will severely impact poor and vulnerable households. The poor will experience significantly lower incomes due to closure of trade, construction, other services, and overall slowdown of economic activities. This assumes significance in the context of labor income accounting for 70% of income in poor households, and 68% of income in all households. The expected high rate of job loss as a result of COVID-19 has the potential to increase the prevalence and depth of poverty. In the Kyrgyz Republic, these effects are likely to be exacerbated by high rates of informality (60 percent of total employment), self-employment (35 percent of total employment), and limited access to social insurance.

Furthermore, COVID-19 has led to a sudden and sharp lower reduction in lower remittances, (remittances are equivalent to over 30 percent of the GDP in 2018), and a higher inflation has resulted in eroding households' purchasing power. In addition, domestic business reliance on the supply of external raw materials will also face supply constraints resulting in lower output and incomes. While the government's immediate focus has rightly been on protecting lives and supporting the health system, the project focuses on the economic response to assist Micro, Small, and Medium Enterprises (MSMEs) to survive by accessing short-term finance to cover operational costs. The project will fill these gaps with support of measures that will help MSMEs remain viable through the worst of the COVID-19 crisis and enable a more rapid recovery.

The Kyrgyz republic has 25 Commercial Banks and 232 Non-bank financial institutions, which include microfinance organizations and credit unions and are just 8% of financial sector assets. Nevertheless, the microfinance sector plays a vital role in the Kyrgyz Republic, especially in rural and remote areas where the availability of collateral is limited. Non-bank financial institutions had a total of 350,692 borrowers in 2018, compared to 471,526 bank borrowers (IMF FAS 2018). Non-bank financial institutions also promote gender equality as it can/ has provided opportunities to some 100,000 women entrepreneurs.

AIIB will be a co-financier. The World Bank's ESF which encompasses: the environmental and social policy for investment project financing; and environmental and social standards, will be applicable for the entire project, irrespective of source of finance

D. 2. Borrower's Institutional Capacity

The government of the Kyrgyz Republic and the Ministry of Finance have managed several World Bank financed projects. The proposed project's management will rest with a Project Implementation Unit (PIU) established within the Ministry of Finance (MOF). The PIU will perform fiduciary, environmental and social framework, and monitoring and evaluation functions for the entire project. The PIU will deliver services through: (i) a Project Implementation Group (PIG) at the State Guarantee Fund (SGF); and (ii) participating financial institutions. This PIU is implementing three World Bank financed projects:

- (i) Integrated Dairy Productivity Improvement Project (P155412);
- (ii) KAREP (P151789) – for KAREP, the PIU implements only fiduciary part – the closing date is February 28, 2022; and
- (iii) Capacity Building PFM 2 (P155148) - the closing date is August 31, 2020.



With these projects, the PIU has equipped itself adequately with respect to fiduciary requirements; however, with respect to implementing the Bank’s Environment and Social Framework (ESF), the PIU will need to increase its capacity. Further, it will be a challenge for the PIU to ensure adoption and adherence to ESS 9 - Financial Intermediaries. The PIU will also need to administer and supervise participating financial institutions in meeting the World Bank’s Environmental and Social requirements. Further, it will be a challenge, demanding substantial efforts, for the PIU to ensure adoption and adherence to the ESS by the Financial Intermediaries. Given this situation, it will be critical for the PIU to deploy dedicated environment and social specialists, preferably with microfinance experience, to ensure adequate capacity.

II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Moderate

Environmental Risk Rating

Moderate

The environmental risk of the project is Moderate. The project will provide support to MSMEs through Reimbursable Financial Assistance facilitated by SDAs (Component 1) and a Portfolio Risk Sharing Facility facilitated by the State Guarantee Fund that could be used by PFIs (Component 2). The SDAs, PFIs, and beneficiary MSMEs have not been identified so the proposed investment activities for the project are unknown.

Under Component 1, the RFA will be used to cover operational expenses including payroll, rent, utilities, and goods and services. Prior to issuing any RFA, the PIU will prepare a eligibility criteria, acceptable to the Bank, that will govern how the DSAs select RFAs. The selection criteria will ensure that expenses covered by the RFA do not involve works, even minor rehabilitation, or land acquisition.

Under Component 2, the PRSF could be used by PFIs to partially guarantee short-term credits and overdrafts, restructured MSMS loans that were in good standing prior to the COVID-19 crisis, and new MSME loans. The PIU will require PFIs to develop and implement an Environmental and Social Management System (ESMS), acceptable to the PIU and the World Bank, to classify and manage the environmental and social risks of their financing activities. In addition to the ESMS, PFIs will conduct screening of eligible MSME Only those MSMEs whose business activities are judged to be of moderate or low environmental and social risks will be eligible for project support under Component 2. At the MSME level, simple streamlined environment and social due diligence procedures that includes screening against the prescribed eligibility criteria and compliance with national laws can serve as underlying framework for addressing environmental and social risks and impacts. The PIU will submit an evaluation report of a proposed PFI and its ESMS to the Bank for no objection before it can be included in the Project. The PIU will also maintain a list of activities that cannot be financed by project funds that include major civil works or other activities that would increase the overall environmental risk of the project.

Given the PIU’s lack of prior experience in ESMS implementation under the World Bank ESF, the World Bank will maintain oversight, particularly in the early stages of implementation. In summary, Project activities are not expected to have large-scale, significant, and/or irreversible environmental and social impacts. Environmental risks are expected to be site specific, temporary and can be readily addressed through standard mitigation measures and compliance with national laws.



Social Risk Rating

Moderate

Social Risk is rated Moderate. The project is meant to support MSMEs survive and recover from the COVID-19 pandemic impacts. There are two broad categories of support: one, Reimbursable Financial Assistance (RFA); and other, a Portfolio Risk Sharing Facility (PRSF). The RFA will be used to cover operational expenses including payroll, rent, utilities, and goods and services. The PRSF could be used by PFIs to partially guarantee short-term credits and overdrafts, restructured MSMS loans that were in good standing prior to the COVID-19 crisis, and new MSME loans.

Given this, key social issues relate to: (i) exclusion/ inclusion – providing an opportunity to all eligible Financial Institutions (both SDAs, and PFIs) to participate and derive benefits from the projects which would in turn ensure that most needed MSMEs do receive assistance and same time, avoid covering the other non-deserving MSMEs; (ii) sensitizing PFIs under component 2 to adopt and adhere to the ESS stipulations; and (iii) Information, Education and Communication (IEC) campaign to accomplish effective outreach so that all potential beneficiaries are fully aware of the project benefits and how to access them, and that all the stakeholders share a common understanding about the project. The drivers of exclusion is likely to be based on: (i) size/quality of operations - smaller and poorer MSMEs (relative to larger and rich entities) may find it difficult to fulfill all the formalities project would demand; (ii) geographical location - MSMEs in rural and mountainous areas may have difficulty in accessing the 'project' relative to those in urban areas; (iii) young and new startups (vs established ones) and entrepreneurs who have set up businesses recently and are struggling to break-even; and (iv) gender- women entrepreneurs may find it difficult to combat the COVID-19 situation and may stay away from entrepreneurial activities. Exclusion/ Inclusion errors can be contained by drafting carefully the rules of the participation viz., drafting the eligibility criteria for participation by: one, FPIs; and other, MSMEs. Capacity support and capacity building will help sensitizing the FIs. Finally, an appropriate Stakeholder Engagement Plan (SEP) will help in accomplishing effective outreach. All these will be crafted as a part of the overall project designing and hence risk is rated Moderate.

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

The project is being processed applying paragraph 12 of Section III of the Investment Project Financing (IPF) Policy with paragraph 12 being triggered due to the situation of a natural disaster caused by the COVID-19 pandemic. The project is processed under condensed procedures, pursuant to the Bank’s procedure “Preparation of Investment Project Financing – Situations of Urgent Needs of Assistance or Capacity Constraints”.

Component 1 finances reimbursable financial assistance (RFA) to eligible MSMEs in order to help businesses survive the economic slowdown and retain employees by supporting their short-term liquidity needs for operational expenses. The RFA will be distributed to eligible MSMEs during a period of 12-18 months with reimbursement of the principle amount to the government only if the MSMEs are still in operation at the end of a four-year period. Selected Disbursement Administrators (SDAs) will disburse the RFA, acting as agents on behalf of the government. The MoF PIU will undertake the selection, monitoring and coordination with the SDAs. The SGF will provide technical assistance to the MoF PIU. The SDAs will be responsible for verifying the beneficiary eligibility and confirming the use of funds meets the project’s pre-determined set of eligible operating expenses including inter alia, payroll, suppliers, rent, and utilities to be covered in a “cascade approach.

Public Disclosure



Component 2 finances a portfolio risk sharing facility (PRSF) for eligible MSME loans. The objective is to reduce the risk of deleveraging by the financial sector during the crisis and to foster credit provision to MSMEs during the recovery by sharing credit risk in MSME loans with financial institutions. The Component will finance the establishment of and the funding for the PRSF, which will be managed by the SGF. The facility will offer a fee-based partial credit guarantee to share a part of the credit risk in eligible MSME loans from eligible participating financial institutions (PFIs). As the PFIs act as financial intermediaries, Environment and Social Standard (ESS) 9 – Financial Intermediaries will be relevant to this Component 2. The facility will offer guarantee on a portfolio basis. All eligible MSME loans from the PFIs will be automatically guaranteed up to a pre-defined threshold to avoid concentration on large loans.

The project will have overall positive social impacts as the interventions will provide immediate help to MSMEs encountering the COVID crisis and help keeping the business alive and reduce the layoff of workers. Environmental risks are limited as Component 1 will not finance any civil works and, under Component 2, MSMEs that involve substantial or high environmental or social risk will not be eligible for guarantees. On the social front, the following issues are to be addressed: (i) managing exclusion/ inclusion errors; (ii) addressing the limited environment and social capacity of PFIs; (iii) labor management, including health and safety considerations; and (iv) outreach - through an effective and inclusive Information, Education, and Communication Campaign (IEC). To achieve the above mentioned positive environmental and social impacts, the aforementioned areas of risks must be addressed and mitigated as discussed below.

These risks are covered by ESS 1, ESS 2, ESS 9 and ESS 10. To manage these risks, the PIU will prepare the following:

- (i) Eligibility criteria for expenditure under Component 1 to ensure that only operational expenses are financed;
- (ii) A guidance note and a sample table of contents for an ESMS for PFIs to ensure that all PFIs selected under Component 2 develop and implement an ESMS in line World Bank ESF requirements;
- (iii) A Stakeholder Engagement Plan (SEP) for effective outreach; and
- (iv) Labor Management Procedures (LMP) to be included in the Project Organizational Manual (POM).

Inclusion/ Exclusion risks. ESF's emphasis on ensuring 'inclusion' during the preparation has already influenced the broad contours of the project. Component 1, Reimbursable Financial Assistance, to combat the COVID-19 induced crisis in the immediate run, has been further categorized into two sub components. One, 1.1 is exclusively targeted micro entrepreneurs working largely through a presumptive tax regime i.e. patents (from a total pool of approximately 88,500 businesses), to enable them remain in the business and continue income earning. The other, 1.2 is to assist all small and medium businesses (from a total pool of approximately 46,000) such as to ensure that it prevents viable businesses from exiting the market disrupting the labor market and supplier relationships. Given these large numbers, avoiding errors of inclusion and exclusion assume significance. This will be chiefly addressed by drafting and ensuring strict adherence to the eligibility criteria for SDAs and MSME participation in the project. These criteria will form a part of the overall project designing and widely disseminated through an effective IEC. A list of SDAs and MSMEs to be covered under the program will be disclosed prominently on the websites of MOF, as well as across the SDAs in the country; and invite objections/ request for alterations etc., before according final approval. Subsequently, the eligibility criteria will be re-visited and up-dated, as appropriate, and based on the experiences/ feedback, on a quarterly basis.



ESS10 Stakeholder Engagement and Information Disclosure

The project recognizes the need for an effective and inclusive engagement with all of the relevant stakeholders and the MSMEs at large. Meaningful consultations and disclosure of appropriate information assume huge significance to ensure that the most deserving are indeed ‘included’. However, given the COVID situation, it may not be possible to hold large face to face engagements and so reaching through out the country , especially entrepreneurs in the rural areas, will be a serious challenge to the project. Against this backdrop, the project has prepared a SEP which serves the following purposes: (i) stakeholder identification and analysis; (ii) planning engagement modalities including effective communication tool for consultations and disclosure particularly in the context of COVID-19; (iii) enabling platforms for influencing decisions; (iv) defining roles and responsibilities of different actors in implementing the SEP; and (v) a grievance mechanism (GM) for project activities, as well as outlining the broader communications the project will support as part of project design.

Project preparation included a preliminary mapping of the stakeholders. Individuals and groups likely to be affected (Project affected parties) have been identified. Chief of them are: Individual Entrepreneurs (IEs) with Certificates (hired labor); IEs with patents (no hired labor); Medium enterprises and their employee workers; Small Enterprises and their employee workers; MSMEs owned by disadvantage and vulnerable groups, including physically disabled entrepreneurs and their employee workers; Entrepreneurs in rural areas and mountainous regions and their employee workers; and Female entrepreneurs and their employee workers. Mapping of other interested parties such as government agencies/authorities, NGOs and CSOs, and other international agencies have also been completed. Vulnerable groups too have been delineated taking into account the differentials in: size/ scale of operations; geographical location; gender, age (new/old) of the enterprises etc., Drawing upon their expectations and concerns, as reflected through consultations, a SEP has been prepared by the client and disclosed publicly. The SEP will be updated as necessary, during implementation. The client will develop and put in place a GM or stakeholders to lodge their concerns/ grievances/ comments/ suggestions, if any, for each of the key project interventions, and for the project to address in line with the POM and the ESF. The SEP will also describe GM that PIU should establish o respond to inquiries/ comments/ grievances concerning the project activities.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions

The project shall be carried out in accordance with the applicable requirements of ESS 2, in a manner acceptable to the World Bank, including through, inter alia, implementing adequate occupational health and safety measures (including emergency preparedness and response measures), setting out grievance arrangements for project workers (including the workers of MSMEs assisted by the project), and incorporating labor requirements into the ESHS specifications at all levels including the assisted MSMEs. These measures will be documented in labor management procedures (LMP) that will be included in the POM.



The project is expected to have workers at three levels: (i) one, at PIU; (ii) workers at SDAs and PFIs; and (iii) at the MSMEs receiving assistance from the project. Accordingly, the project will encompass the following categories of workers: (i) direct workers and (ii) contract workers – temporary or permanent laborers. No civil construction is envisaged and hence project will not have contractors and civil work laborers. Direct workers include civil servants, and other workers in PIU staff and consultants as well as staff of PFIs. Direct workers will be governed by either the services code in case of government civil servants, or, for consultants, mutually agreed contracts. At MSME level, laborers are expected, either new or the existing ones. PFI's ESMSes will include ESMP templates which will contain a section on worker health and safety requirements.

The LMP will include sections on Environment Health and Safety (EHS) including specific instruments that will need to be prepared either by the PIU and/ or the PFIs prior to issuance of financial assistance. These instruments include: EHS checklists, codes of conduct that include measures to prevent Gender Based Violence/ Sexual Exploitation and Abuse (GBV/SEA); safety training etc. All workers will have access to the project specific GRM. Employees of beneficiary MSMEs are considered project beneficiaries, and their labor risk will be addressed under the ESMS of PFIs acceptable to the Bank.

ESS3 Resource Efficiency and Pollution Prevention and Management

Elements related to ESS 3 will be addressed under ESS 9. Aspects of ESS 3 shall be considered, as needed, while appraising the assistance from MSMEs including, inter alia, measures to: manage health care, and other types of hazardous and non-hazardous wastes.

ESS4 Community Health and Safety

The project will not be financing civil works or construction therefore no adverse impacts on the health and safety of local communities are anticipated. Elements related to ESS 4 addressed under the ESS 9. This will include ensuring that the ESMSes and the financing agreements between the PIU and PFIs should include provisions on non-discrimination for female beneficiaries and mitigation measures to address SEA/SH risks.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

Since civil construction activities are, at the best, envisaged to be restricted to repair and rehabilitation of the existing buildings only, no involuntary acquisition of lands is expected. Nor will there be any restrictions on land use and accesses. Hence, ESS 5 is not relevant.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

ESS 6 is not considered relevant for this project. Elements related to ESS 6 will addressed under the ESS9.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

ESS 7 is not relevant as there are no indigenous peoples as described under the Standard in Kyrgyzstan.



ESS8 Cultural Heritage

ESS 8 is not considered relevant for this project. Elements related to ESS 8 will addressed under the ESS9.

ESS9 Financial Intermediaries

The project will provide funds to the Ministry of Finance to finance a Portfolio Risk Sharing Facility that is managed by the State Guarantee Fund (SGF). Eligible PFIs that may include Commercial Banks; and Non-Bank Finance Institutions (NBFIs) could use this facility to partially guarantee credits to MSMEs. The PIU will oversee the implementation of the PRSF. All eligible PFIs will be required to establish and maintain an ESMS, satisfactory to the Bank, to identify, classify, assess, manage, and monitor the environmental and social risks and impacts of guarantees provided to beneficiary MSMEs. The Project will finance only those MSMEs whose activities involve moderate or low environment and social risks classified in accordance with the ESS 9. The PFI’s ESMSes will include (i) environmental and social policy; (ii) clearly defined procedures for the identification, classification, assessment and management of the environmental and social risks and impacts of sub-projects; (iii) organizational capacity and competency; (iv) monitoring and review of environmental and social risks of the portfolio; and (v) external communications mechanism. The ESMS should also allow for screening of MSME activities against the World Bank’s and PIU’s exclusion lists and compliance with national laws. All relevant aspects of ESS 2 will apply to the PFIs including maintaining appropriate labor management procedures. Each PFI will also maintain clearly defined environmental and social procedures that are proportionate to the level of potential environmental and social risks and impacts associated with the PFI’s sub-projects. The SGF will require all PFIs to implement an external communications mechanism in a manner proportionate to the risks and impacts of the PFI’s sub-project. All relevant elements of ESSs 3-8 will be addressed under this ESS.

All PFI’s ESMSes will be shared with the Bank for approval before allowing said PFI to participate in the project. The ESMSes will be disclosed and PFIs will conduct consultations with potential MSME beneficiaries (including on eligibility criteria).

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways No

OP 7.60 Projects in Disputed Areas No

III. BORROWER’S ENVIRONMENTAL AND SOCIAL COMMITMENT PLAN (ESCP)

DELIVERABLES against MEASURES AND ACTIONs IDENTIFIED	TIMELINE
--	----------

Public Disclosure



ESS 1 Assessment and Management of Environmental and Social Risks and Impacts	
<p>ORGANIZATIONAL STRUCTURE: MOF shall establish an organizational structure with qualified staff to support management of environment and social risks including environment and social specialists responsible for ensuring full compliance with the ESF and relevant instruments, which shall include the Environmental and Social Specialists at the PIU.</p> <p>The PIU shall ensure that the above mentioned staff remain on assigned duty until the end of Project Implementation.</p>	07/2024
<p>ENVIRONMENTAL AND SOCIAL ASSESSMENT</p> <p>The PIU will develop eligibility criteria, acceptable to the Association, for the Reimbursable Financial Assistance to be financed under Component 1 to ensure that only operational expenses are financed.</p>	08/2020
<p>Prepare, disclose, adopt, and implement an ESMS guidance note (including an ESMS Table of Content), acceptable to the Association, to ensure that all PFIs selected under Component 2 develop and implement an ESMS in line World Bank ESF requirements. The guidance note will make it clear that the Project will finance only those MSMEs whose activities involve moderate or low environment and social risks classified in accordance with the ESS 9.</p>	09/2020
<p>The PIU shall ensure that each PFI shall develop, maintain and implement an ESMS, acceptable to the PIU and the Association, in line with the requirements of ESS 9. The ESMS shall include documents and procedures to ensure that the financing activities under the project are compliant with the guidance note, the applicable national laws and the World Bank ESSs.</p>	07/2024
<p>As part of their finance approval process, the PIU shall ensure that each PFI conducts environment and social due diligence assessments for each guarantee recipient in line with the guidance note, ESMS, national laws, and ESSs. Where applicable, environment and social action plans (ESAP) shall be developed to address identified gaps following the assessments.</p>	07/2024
ESS 10 Stakeholder Engagement and Information Disclosure	
<p>STAKEHOLDER ENGAGEMENT PLAN: Prepare, disclose, adopt, and implement a Stakeholder Engagement Plan (SEP) consistent with ESS 10, in a manner acceptable to the Association.</p>	06/2020
<p>SEP IMPLEMENTATION: Implement the SEP throughout project implementation. As necessary, update and re-disclose updated SEP throughout Project Implementation.</p>	07/2024
<p>GRIEVANCE MECHANISM: Accessible grievance arrangements shall be made publicly available to receive and facilitate resolution of concerns and grievances in relation to the Project, consistent with ESS 10, in a manner acceptable to the Association.</p>	07/2024
ESS 2 Labor and Working Conditions	



The Project shall be carried out in accordance with ESS 2, including through, inter alia, implementing adequate occupational health and safety measures (including emergency preparedness and response measures), setting out grievance arrangements for	07/2024
LABOR MANAGEMENT PROCEDURES: PIU to cause all relevant participating entities to Develop, adopt and implement labor management procedures (LMP)- as detailed in the ESMS.	07/2024
GRIEVANCE MECHANISM FOR PROJECT WORKERS: Maintain and operate an accessible grievance mechanism (GM) for Project workers as described in the HR policies and procedures, consistent with requirements under the national law and ESS 2.	07/2024
ESS 3 Resource Efficiency and Pollution Prevention and Management	
ESS 4 Community Health and Safety	
ESS 5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	
ESS 6 Biodiversity Conservation and Sustainable Management of Living Natural Resources	
ESS 7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	
ESS 8 Cultural Heritage	
ESS 9 Financial Intermediaries	
Preparation, adoption and implementation of an ESMS acceptable to the PIU and the Association, by each PFI.	07/2024
As part of the Project finance approval process, the PIU shall ensure that within their existing credit approval framework, all PFIs shall develop and implement an environment and social management system (ESMS) that is acceptable to the Association.	07/2024

Public Disclosure

B.3. Reliance on Borrower’s policy, legal and institutional framework, relevant to the Project risks and impacts

Is this project being prepared for use of Borrower Framework?

No

Areas where “Use of Borrower Framework” is being considered:

Borrower's framework is not being considered.

IV. CONTACT POINTS

World Bank

Contact: Andrea Dall'Olio Title: Lead Financial Sector Economist



Telephone No:	+1-202-473-0776	Email:	adallolio@worldbank.org
Contact:	Hermanus Schrijver	Title:	Senior Financial Sector Specialist
Telephone No:	+1-202-458-7016	Email:	mschrijver@worldbank.org

Borrower/Client/Recipient

Borrower: Ministry of Finance of Kyrgyz Republic

Implementing Agency(ies)

Implementing Agency: Project Implementation Unit at the Ministry of Finance (Kyrgyz Republic)

V. FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

VI. APPROVAL

Task Team Leader(s):	Hermanus Schrijver, Andrea Dall'Olio
Practice Manager (ENR/Social)	Satoshi Ishihara Cleared on 23-Jun-2020 at 12:39:35 EDT