

Aga Khan Foundation

**ENVIRONMENTAL and SOCIAL
COMMITMENT PLAN (ESCP)**

for

**Empowering Microfinance and Enterprises for Resilience and Growth
(P504220)**

Appraised

March 2024, amended December, 2024

ENVIRONMENTAL AND SOCIAL COMMITMENT PLAN

1. The Aga Khan Foundation (AKF) and Afghanistan Credit Guarantee Company (ACGF) will implement the Empowering Microfinance and Enterprises for Resilience and Growth (EMERGE) (hereinafter referred as the Project). The International Development Association (the World Bank), acting as the administrator of the Afghanistan Reconstruction Trust Fund (ARTF), has agreed to provide financing for the Project (P504220), as set out in the referred Project Appraisal Document.
2. AKF and ACGF, each for their respective component, shall ensure that the Project is carried out in accordance with the Environmental and Social Standards (ESSs) and this Environmental and Social Commitment Plan (ESCP), in a manner acceptable to the World Bank. Unless otherwise defined in this ESCP, capitalized terms used in this ESCP have the meanings ascribed to them in the referred agreement.
3. Without limitation to the foregoing, this ESCP sets out material measures and actions that the AKF and ACGF, each for their respective component, shall carry out or cause to be carried out, including, as applicable, the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and grievance management. The ESCP also sets out the environmental and social (E&S) instruments that shall be adopted and implemented under the Project, all of which shall be subject to prior consultation and disclosure, consistent with the ESS, and in form and substance, and in a manner acceptable to the World Bank. Once adopted, said E&S instruments may be revised from time to time with prior written agreement by the World Bank.
4. As agreed by the World Bank, AKF and ACGF, this ESCP will be revised from time to time if necessary, during Project implementation, to reflect adaptive management of Project changes and unforeseen circumstances or in response to Project performance. In such circumstances, the AKF, ACGF and the World Bank agree to update the ESCP, AKF and ACGF each for their respective component, to reflect these changes through an exchange of letters signed between the World Bank and the AKF respectively ACGF representatives assigned to the Project. AKF shall promptly disclose the updated ESCP.

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY
MONITORING AND REPORTING			
A	<p>REGULAR REPORTING</p> <p>Prepare and submit to the World Bank regular monitoring reports on the environmental, social, health, and safety (ESHS) performance of the Project, including but not limited to the implementation of the ESCP, the status of preparation and implementation of E&S instruments required under the ESCP, stakeholder engagement activities, and functioning of the grievance mechanisms.</p>	Submit biannual Progress Reports to the World Bank within 45 days of each reporting cycle throughout Project implementation period.	AKF & ACGF
B	<p>INCIDENTS AND ACCIDENTS</p> <p>Promptly notify the World Bank of any incident or accident related to the Project that has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public, or workers, including, inter alia, cases of sexual exploitation and abuse (SEA), sexual harassment (SH), accidents that result in death, serious or multiple injury. Provide sufficient detail regarding the scope, severity, and possible causes of the incident or accident, indicating immediate measures taken or that are planned to be taken to address it, and any information provided by any contractor and/or supervising firm, as appropriate.</p> <p>Subsequently, at the World Bank’s request, prepare a report on the incident or accident and propose any measures to address it and prevent its recurrence.</p>	<p>Promptly notify the Bank no later than 48 hours after learning of the incident or accident using such reporting formats as the Bank may require.</p> <p>A subsequent detailed report of the incident is to be provided to the World Bank within (30) days of making the initial report of the incident or accident.</p>	AKF & ACGF
ESS 1: ASSESSMENT AND MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS			
1.1. a	<p>ORGANIZATIONAL STRUCTURE - AKF</p> <p>Establish and maintain a PIU with qualified staff and resources to support the management of ESHS risks and impacts of the Project.</p> <p>AKF will establish an EMERGe PIU to be equipped with resources and staff from the Water Emergency Relief Project (WERP)’s.</p> <p>The AKF-EMERGe PIU will hire one dedicated Environmental and Social Specialist and one GRM Coordinator for its PIU. For the Security and Gender/PSEA staff, WERP resources can be shared.</p>	<p>AKF will establish and maintain a PIU as set out in the grant agreement by the Effective Date.</p> <p>Hire one Environmental and Social Specialist and one GRM/ Coordinator by December 15 2024, and thereafter maintain these positions throughout Project implementation.</p> <p>Appoint Security and Gender/PSEA staff and thereafter maintain these positions throughout Project implementation.</p>	AKF

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY
1.1. b	<p>ORGANIZATIONAL STRUCTURE - ACGF See text under ESS 9 for details.</p>	See Action 9.3 and 9.4 below.	ACGF
1.2. a	<p>ENVIRONMENTAL AND SOCIAL INSTRUMENTS - AKF</p> <p>(1) AKF ESMF: Prepare, consult, disclose, adopt, and implement the project's Environmental and Social Management Framework (ESMF) consistent with the relevant ESF standards.</p> <p>(2) SEP: Prepare, consult upon, and adopt a combined Stakeholder Engagement Plan (SEP) as described under ESS 10; and</p> <p>(3) AKF SEA/SH Action Plan: AKF shall prepare and implement a SEA/SH Action Plan for the project as set out under Action 4.2a.</p> <p>In addition, ensure compliance with the Environmental Health and Safety Guideline (EHSGs) and other relevant Good International Industry Practice (GIIP).</p>	<p>(1) Prepare, consult, disclose, and adopt by project effectiveness and thereafter implement throughout Project implementation.</p> <p>(2) Same timeframe as action 10.1</p> <p>(3) Implement the SEA/SH Action Plan adopted on _____, 2024, throughout Project implementation.</p>	AKF
1.2. b	<p>ENVIRONMENTAL AND SOCIAL INSTRUMENTS - ACGF</p> <p>(1) ACGF ESMS: ACGF shall utilize its existing ESMS as the E&S instrument. ACGF shall ensure the ESMS is implemented consistent with ESS 9.</p> <p>(2) SEP: Prepare, consult upon, and adopt a combined Stakeholder Engagement Plan (SEP) as described under ESS 10.</p> <p>(3) ACGF SEA/SH Action Plan: ACGF shall prepare and implement a SEA/SH action plan for the project as set out under Action 4.2b.</p> <p>See text under ESS 9 for details.</p>	<p>(1) The ESMS is prepared and will be maintained throughout Project implementation.</p> <p>(2) Same timeframe as action 10.1</p> <p>(3) Implement the SEA/SH Action Plan adopted on _____, 2024 throughout Project implementation.</p>	ACGF

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY
1.3	<p>TECHNICAL ASSISTANCE</p> <p>Ensure that the capacity building, training, and other technical assistance activities under the Project are carried out in accordance with terms of reference acceptable to the World Bank and that are consistent with the relevant ESSs. Thereafter ensure that the outputs of such activities comply with the terms of reference.</p>	Throughout Project implementation.	AKF
ESS 2: LABOR AND WORKING CONDITIONS			
2.1 (a)	<p>LABOR MANAGEMENT PROCEDURES- AKF</p> <p>Prepare, consult, disclose, adopt, and implement a simplified labor management procedure consistent with ESS2, as part of the ESMF.</p>	Prior to project effectiveness and thereafter implement throughout project implementation.	AKF
2.1 (b)	<p>LABOR MANAGEMENT PROCEDURES - ACGF</p> <p>Adopt and implement ACGF Labor Management Procedures (LMP) as part of the ESMS to ensure risks relating to the following are addressed and implemented: i) occupational health and safety risks and impacts are limited to ergonomics, working conditions, risks of SEA/SH etc.; ii) clarity on terms and conditions in the contractual arrangement, non-discrimination policies and practices, zero tolerance of Sexual Harassment; and iii) SEA/SH sensitive Grievance Mechanism for its workers.</p>	Prior to project effectiveness and thereafter implement throughout project implementations.	ACGF
2.2 a)	<p>GRIEVANCE MECHANISM FOR PROJECT WORKERS - AKF</p> <p>Publicize, maintain, and operate the existing GRM system, to receive and facilitate the resolution of project worker's concerns and grievances in relation to the Project.</p>	By project effectiveness and thereafter implement throughout project implementation.	AKF
2.2 b)	<p>GRIEVANCE MECHANISM FOR PROJECT WORKERS - ACGF</p> <p>Refer to ESS9 for GRM requirements for ACGF.</p>		ACGF
ESS 3: RESOURCE EFFICIENCY AND POLLUTION PREVENTION AND MANAGEMENT			
3.1 a	<p>WASTE MANAGEMENT PLAN</p> <p>AKF will develop an ESMF which will have provisions for managing the risk and impacts associated with waste management, resource management, and pollution management, for all activities under component 2.</p>	By project effectiveness and thereafter implement throughout project implementation.	AKF

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY
3.1 b	See text under ESS 9 for details.		ACGF
ESS 4: Community Health and Safety			
4.1	<p>SECURITY MANAGEMENT</p> <p>Prepare and implement the security risk management measures, which would include any measures necessary to ensure consistency with the ESF requirements including security risk assessment and any security management measures necessary for the implementation of the Project activities. Given the different activities and risk exposures under EMERGE Component 1, ACGF will provide a separate summary of its security procedures and protocols, which AKF will incorporate as an annex to its Security Risk Management Plan (SRMP).</p>	Prepare the SRM measures before the commencement of project activities and thereafter implement throughout the Project implementation.	AKF/ACGF
4.2 a	Adopt the SEA/SH Action Plan before the commencement of project activities and thereafter implement the SEA/SH Action Plan throughout Project implementation.	Implement the SEA/SH Action Plan adopted on ____, 2024, throughout Project implementation.	AKF
4.2 b	<p>SEA AND SH RISKS - ACGF</p> <p>ACGF shall prepare and implement a SEA/SH Action Plan, to assess and manage the risks of SEA and SH</p>	Implement the SEA/SH Action Plan adopted on ____, 2024, throughout Project implementation.	ACGF
ESS 9: FINANCIAL INTERMEDIARIES [This standard is only relevant for Projects involving Financial Intermediaries (FIs).]			
9.1	<p>ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM (ESMS) - ACGF</p> <p>ACGF has already established an ESMS which is applied for loans that are guaranteed by ACGF. This ESMS includes the following elements:</p> <ul style="list-style-type: none"> • Identification of the sub-sector businesses of micro, small and medium enterprises. • An environmental and social policy • Clearly defined procedures for the identification, assessment and management of the environmental and social risks and impacts of borrowing enterprises, in accordance with ESS1, ESS2, ESS3, ESS4, ESS9, and ESS10, including, inter alia, stakeholder engagement, and disclosure requirements. • Exclusion list of the sub-sector businesses that are not eligible for financing, • An organizational capacity and competency for implementing the ESMS with clearly defined roles and responsibilities. 	ACGF has already established an ESMS and will maintain and implement the ESMS throughout Project implementation.	ACGF

MATERIAL MEASURES AND ACTIONS	TIMEFRAME	RESPONSIBLE ENTITY
<ul style="list-style-type: none"> • Monitoring and reporting of the environment and performance of sub-sector businesses and the effectiveness of the ESMS. • Incidents and accidents notification and subsequent reporting requirements. • ACGF shall implement its security management measures as part of the SRMP for the project and the ESMS and ensure the security measures are implemented and adhered to throughout the Project's implementation period. An external communications mechanism and a GRM system, including measures to respond to public complaints, inquiries, and concerns in a timely manner. In addition, the existing GRM system of ACGF will be further strengthened to effectively respond to SEA/SH issues. <p>ACGF will ensure that MFPs commit to a proportionate application of this ESMS considering the expected low average loan size under the project, i.e., ACGF will include in the contractual agreements with the MFPs specific E&S provisions that will ensure that the MFPs implement screening procedures for all loans against the negative list as included in the Project Operations Manual. ACGF will periodically monitor on a sample basis the implementation of the MFPs' screening mechanism and include the results in the E&S reporting.</p> <p>ACGF will work with the MFPs prior to signing Conditional Capital Support Grant Agreements to prepare them for the implementation of the above-described screening mechanism.</p>		
<p>9.2 EXCLUSIONS Screen all proposed loans to be provided by MFPs to small and micro enterprises against the exclusion list set out in the Operations Manual.</p>	Screen loans before determining whether they are eligible to receive support from the Project.	ACGF
<p>9.3 FI ORGANIZATIONAL CAPACITY Establish and maintain an organizational capacity and competency for implementing the ESMS with clearly defined roles and responsibilities. ACGF has already in place a dedicated environmental & Social specialist, who will be supported by regional and HQ-based specialists.</p>	ACGF has already established an organizational capacity for implementing the ESMS and will maintain it throughout the project implementation period.	ACGF
<p>9.4 SENIOR MANAGEMENT REPRESENTATIVE Designate a senior management representative to have overall accountability for environmental and social performance of ACGF ESMS for Component 1 activities of the Project.</p>	By project effectiveness and thereafter maintain throughout project implementation.	

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY
ESS 10: STAKEHOLDER ENGAGEMENT AND INFORMATION DISCLOSURE			
10.1. a	<p>STAKEHOLDER ENGAGEMENT PLAN PREPARATION AND IMPLEMENTATION</p> <p>Adopt and implement a combined Stakeholder Engagement Plan (SEP) for the Project, consistent with ESS10, which shall include measures to, inter alia, provide stakeholders and project actors 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. This shall include measures to consult the E&S instruments for the Project with key stakeholders. There is a Preliminary SEP prepared which will be subject to stakeholder consultation and updating.</p>	Update and consult upon and re-disclose the updated SEP within (60) sixty days after the Project Effective Date. Thereafter, implement it throughout the project implementation.	AKF/ACGF
10.2. a	<p>PROJECT GRIEVANCE MECHANISM - AKF</p> <p>Publicize, maintain, and operate the existing grievance mechanism, to receive and facilitate the resolution of concerns and grievances in relation to the Project, promptly and effectively, in a transparent manner that is culturally appropriate and readily accessible to all Project-affected parties and stakeholders, at no cost and without retribution, including concerns and grievances filed anonymously, in a manner consistent with ESS10.</p> <p>The grievance mechanism shall be equipped to receive, register, and facilitate the resolution of SEA/SH complaints. This will include referral of survivors to relevant to gender-based violence service providers in a safe, confidential, nondiscriminatory, and survivor-centered manner.</p>	Adopt and publicize existing grievance mechanisms before the commencement of project activities and thereafter maintain and operate the mechanism throughout Project implementation.	AKF
10.2. b	<p>PROJECT GRIEVANCE MECHANISM – ACGF</p> <p>ACGF ESMS system includes the GRM system, which will be accessible to all project stakeholders. The GRM system will have several uptake channels for registering complaints and providing feedback after complaint resolution.</p>	Adopt and publicize existing grievance mechanisms before the commencement of project activities and thereafter maintain and operate the mechanism throughout Project implementation.	ACGF
CAPACITY SUPPORT			
CS1	All capacity-building activities and training will be further detailed in a Capacity Building and Training Plan. AKF and ACGF shall facilitate training as per the training plan to build the capacity of the relevant staff of MFPs.		
CS1 a)	<p>Content of capacity building – AKF - will include but not limited to:</p> <ul style="list-style-type: none"> Stakeholder mapping, analysis, and engagement 		

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY
	<ul style="list-style-type: none"> • GBV/SEA/SH Risk Mitigation • GRM • Monitoring and reporting on E&S due diligence Incident reporting and understanding of ESIRT. Security risk management measures	Throughout Project Implementation	AKF
CS1 b)	Content of capacity building – ACGF - will include but not limited to: <ul style="list-style-type: none"> • Proportionate ESMS operationalization • Stakeholder mapping, analysis, and engagement • SEA/SH Risk Mitigation • GRM • Monitoring and reporting on E&S due diligence • Incident reporting and understanding of ESIRT. • Security risk management measures 	Throughout Project Implementation	ACGF