

**Micro, Small and Medium Enterprise
Development Agency (MSMEDA)**

**Catalyzing Finance for MSMEs and Innovative
Ventures in Egypt (P502495)**

**Appraisal version
ENVIRONMENTAL AND SOCIAL
COMMITMENT PLAN (ESCP)**

November 2024

ENVIRONMENTAL AND SOCIAL COMMITMENT PLAN

1. The Arab Republic of Egypt (the Borrower) will implement the Catalyzing Finance for MSMEs and Innovative Ventures in Egypt (the Project), with the involvement of the Micro, Small and Medium Enterprise Development Agency (MSMEDA), as set out in the Loan Agreement and the Project Agreement. The International Bank for Reconstruction and Development (the Bank) has agreed to provide the financing (P502495) for the Project, as set out in the referred agreements.
2. The Borrower 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 Bank. The ESCP is a part of the Loan Agreement and the Project Agreement. Unless otherwise defined in this ESCP, capitalized terms used in this ESCP have the meanings ascribed to them in the referred agreements.
3. Without limitation to the foregoing, this ESCP sets out material measures and actions that the Borrower, through the MSMEDA, 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 Bank. Once adopted, said E&S instruments may be revised from time to time with prior written agreement by the Bank.
4. As agreed by the Bank and the Borrower, 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 Borrower, MSMEDA, and the Bank agree to update the ESCP to reflect these changes through an exchange of letters signed between the Bank and the Borrower, through the Executive Director of MSMEDA. The Borrower 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 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, status of preparation and implementation of E&S instruments required under the ESCP, stakeholder engagement activities, and functioning of the grievance mechanisms.</p>	<p>Submit six-monthly reports to the Bank throughout Project implementation, commencing after the Effective Date. Submit each report to the Bank no later than 30 days after the end of each reporting period.</p>	MSMEDA
B	<p>INCIDENTS AND ACCIDENTS</p> <p>Promptly notify the Bank of any incident or accident related to the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, including, inter alia, cases of Gender-Based Violence (GBV), sexual harassment, and 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 Bank’s request, prepare a report on the incident or accident and propose any measures to address it and prevent its recurrence.</p>	<p>Notify the Bank no later than 48 hours after learning of the incident or accident.</p> <p>Subsequent report to be submitted in a timeframe to be agreed upon with the Bank on a case by case basis.</p>	MSMEDA
ESS 1: ASSESSMENT AND MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS			
1.1	<p>ORGANIZATIONAL STRUCTURE</p> <p>Maintain the Monitoring and Evaluation Sector with necessary capacity to coordinate on environmental, social and health and safety (ESHS) activities, and coordinate with the technical sectors.</p>	<p>Maintain the Monitoring and Evaluation Sector with necessary capacity to coordinate on ESHS activities.</p>	MSMEDA

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY
	<p>Maintain the Environment Department within MSMEDA that is tasked with ESHS management, with qualified staff and resources to support manage and monitor ESHS mitigation measures of the Project including an environmental specialist, a social specialist, at a minimum to be assigned under the head of the Environment Department.</p> <p>Hire or appoint an Environmental and Social focal point in the Risk Sector to support screening of ESHS risks and impacts of the Project.</p> <p>Maintain the Customer Service Unit within MSMEDA that is tasked with handling grievance mechanism, with qualified staff and resources to manage the project grievance mechanism.</p> <p>Hire or appoint a Gender focal point from the Gender Unit within MSMEDA that is tasked with implementing the Sexual Harassment Policy to manage the sexual exploitation and abuse (SEA)/sexual harassment (SH) Action Plan as per 4.2.</p>	<p>Hire or appoint at the minimum an environmental specialist, and a social specialist at the Environment Department 3 months after Effective Date. As interim measures, use the current capacity at the Department to support manage and monitor ESHS mitigation measures of the Project.</p> <p>Hire or appoint an Environmental and Social focal point in the Risk Sector prior to signing the contracts with FI and any lending to subprojects.</p> <p>Maintain the Customer Service Unit with necessary capacity to manage the project grievance mechanism.</p> <p>Hire or appoint the Gender focal point to manage the SEA/SH Action Plan, and thereafter maintain all positions throughout Project implementation</p>	
1.2	<p>TECHNICAL ASSISTANCE</p> <p>Ensure that the consultancies, studies (including feasibility studies, if applicable), capacity building, training, and any other technical assistance activities under the Project are carried out in accordance with terms of reference acceptable to the Bank, that are consistent with the ESSs. Thereafter ensure that the outputs of such activities comply with the terms of reference.</p>	Throughout Project implementation.	MSMEDA
ESS 2: LABOR AND WORKING CONDITIONS			
2.1	<p>LABOR MANAGEMENT PROCEDURES</p>	Same timeframe as for the adoption and implementation of the Environmental and Social Management System (ESMS)	MSMEDA

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY
	Adopt and implement, integrated as part of the ESMS, the Labor Management Procedures (LMP) for the Project, including, inter alia, provisions on working conditions, management of workers relationships, occupational health and safety (including personal protective equipment, and emergency preparedness and response), code of conduct (including relating to SEA and SH), forced labor, child labor, grievance arrangements for Project workers, and applicable requirements for contractors, subcontractors, and supervising firms.		
2.2	<p>GRIEVANCE MECHANISM FOR PROJECT WORKERS</p> <p>Operate a grievance mechanism for MSMEDA Project workers, as described in the LMP and consistent with ESS2.</p> <p>Assess the grievance mechanism for intermediary FIs and establish and operate the grievance mechanism for Project workers, as described in the LMP and consistent with ESS2.</p>	Grievance mechanism for workers is to be operational prior to engaging project workers and maintained throughout project implementation.	MSMEDA
ESS 3: RESOURCE EFFICIENCY AND POLLUTION PREVENTION AND MANAGEMENT			
3.1	<p>WASTE MANAGEMENT PLAN</p> <p>Apply the screening mechanism and exclusion list which are part of project's ESMS to verify that subprojects which are supported under the project will meet the eligibility criteria and will not adversely impact the environment and the people, consistent with ESS3. Where required, adopt and implement a Waste Management Plan (WMP), to manage hazardous and non-hazardous wastes, consistent with ESS3.</p>	As per ESMS and before the implementation of any sub-project.	MSMEDA
3.2	<p>RESOURCE EFFICIENCY AND POLLUTION PREVENTION AND MANAGEMENT</p> <p>Incorporate resource efficiency and pollution prevention and management measures in the ESMS to be prepared under action 9.1 below.</p>	One month after the Effective Date (same timeframe as for preparing the ESMS).	MSMEDA
ESS 4: COMMUNITY HEALTH AND SAFETY			
4.1	<p>COMMUNITY HEALTH AND SAFETY</p> <p>Incorporate specific risks and impacts to the community arising from Project activities, including, inter alia, e.g., behavior of Project workers, response to emergency situations, and include in the ESMS to be prepared.</p>	One month after the Effective Date (same timeframe as for preparing the ESMS).	MSMEDA

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY
	Apply the screening mechanism and exclusion list which are part of project’s ESMS to verify that subprojects which are supported under the project will meet the eligibility criteria and will not adversely impact the environment and the people, consistent with ESS4. Where required, adopt and implement a community health and safety management measures, consistent with ESS4.	As per ESMS and before the implementation of any sub-project.	
4.2	SEA AND SH RISKS Capitalizing on MSMEDA sexual harassment policy, adopt and implement a sexual exploitation and abuse (SEA)/sexual harassment (SH) Action Plan, to assess and manage the risks of SEA and SH.	Adopt the SEA/SH Action Plan before no later than 3 months after the Effective Date, and thereafter implement the SEA/SH Action Plan throughout Project implementation.	MSMEDA
ESS 9: FINANCIAL INTERMEDIARIES			
9.1	ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM (ESMS) Develop, maintain, and implement an ESMS, to identify, assess, manage, and monitor the environmental and social risks and impacts of each intermediary Financial Intermediary (FI) subprojects that receive support from the Project. The ESMS to be updated by MSMEDA or to be developed by the intermediary FIs (commensurate to the E&S risks of its financing activities) shall include, inter alia, the following elements: <ul style="list-style-type: none"> • Identification of the FI subprojects that may receive support from the Project. • An Environmental and Social Policy endorsed by senior management. • Clearly defined Environmental and Social Procedures for the identification, assessment and management of the environmental and social risks and impacts of FI subprojects, in accordance with ESS9, including, inter alia, stakeholder engagement and disclosure requirements [applicable to FI subprojects]. Also, with respect to the principles below: a. Screening all MSMEs proposed for financing under the Project against any Exclusion Lists. b. Screen, review, and categorize all MSMEs proposed for financing under the Project according to their potential environmental and social risks and impacts. c. Require that all MSMEs proposed for financing under the Project are checked, prepared, and are ready to implement relevant national laws and the relevant requirements of the ESSs including stakeholder engagement and disclosure requirements. d. Ensure that the measures 	MSMEDA to establish and operationalize the ESMS one month after the Effective Date and before carrying out screening of any proposed FI subproject. Once established, maintain and implement the ESMSs throughout Project implementation. Intermediary FIs to establish and operationalize the ESMS before carrying out screening of any proposed FI subproject. Once established, maintain and implement the ESMSs throughout Project implementation.	MSMEDA and Intermediary FIs

MATERIAL MEASURES AND ACTIONS	TIMEFRAME	RESPONSIBLE ENTITY
<p>needed to satisfy the requirements of (c) above are set out in the on-lending agreement between MSMEDA and each intermediary FI contracted under the Project. e. Monitor, maintain, and regularly update environmental and social information on each MSME beneficiary under the Project. f. Monitor the environmental and social risk of the World Bank supported portfolio.</p> <ul style="list-style-type: none"> • Exclusion list with the FI subprojects that are not eligible for financing. • Organizational capacity and competency for implementing the ESMS: each FI shall, in line with its internal regulations, hire/assign experienced environmental and social experts with clearly defined roles and responsibilities and train its staff responsible for ESMS implementation. • Monitoring and reporting of environmental and performance of FI subprojects and the effectiveness of the ESMS. • Incidents and accidents notification and subsequent reporting requirements • An external communications mechanism, including measures to respond to public enquiries and concerns in a timely manner as further detailed under ESS10. <p>Disclose a summary of each of the elements of the ESMS through the relevant website.</p> <p>Contractual arrangements between MSMEDA and each FI to be selected will incorporate requirements of ESS 9 and 9.2 below, abiding by the national regulations - which require ES screening, categorization and assessment – if applicable as well as document to be added in the contracts between intermediary FIs and the beneficiaries including measures to mitigate social risks (e.g., labor and working conditions and labor grievance mechanism, community health and safety).</p>	<p>After selection of each FI, prior to signing the contracts with FI.</p>	
<p>9.2 EXCLUSIONS</p> <p>Screen all proposed FI subprojects against the exclusion list set out in the ESMS.</p>	<p>Screen the FI subprojects before determining whether they are eligible to receive support from the Project.</p>	<p>MSMEDA and Intermediary FIs</p>
<p>9.3 FI ORGANIZATIONAL CAPACITY</p> <p>MSMEDA to maintain and enhance existing organizational capacity and competency for implementing the ESMS with clearly defined roles and responsibilities, including specific Environmental and Social specialists.</p>	<p>Throughout Project implementation</p>	<p>MSMEDA and Intermediary FIs</p>

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY
	FIs to establish and maintain an organizational capacity and competency for implementing the ESMS with clearly defined roles and responsibilities, including specific Environmental and Social specialists.	FIs to establish and maintain an organizational capacity and competency for implementing the ESMS before carrying out screening of any proposed FI subproject.	
9.4	<p>SENIOR MANAGEMENT REPRESENTATIVE</p> <p>Designate a management representative (preferably senior) in MSMEDA and in each selected FI, in line with its internal regulations, to have overall accountability for environmental and social performance of FI subprojects that receive support from the Project.</p>	The management representative needs to be designated prior to carrying out screening of any proposed FI subproject.	MSMEDA and Intermediary FIs
ESS 10: STAKEHOLDER ENGAGEMENT AND INFORMATION DISCLOSURE			
10.1	<p>STAKEHOLDER ENGAGEMENT PLAN PREPARATION AND IMPLEMENTATION</p> <p>Adopt and implement a Stakeholder Engagement Plan (SEP) for the Project, consistent with ESS10, which shall include measures to, inter alia, 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.</p>	The SEP was adopted and disclosed on November 7, and will be thereafter implemented throughout Project implementation.	MSMEDA
10.2	<p>PROJECT GRIEVANCE MECHANISM</p> <p>Capitalize on MSMEDA’s grievance mechanism to ensure the project level grievance mechanism is operational. Then, publicize, maintain, and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances in relation to the Project, promptly and effectively, in a transparent manner that is culturally appropriate and readily accessible to all Project-affected parties, at no cost and without retribution, including concerns and grievances filed anonymously, in a manner consistent with ESS10.</p> <p>Capitalize on the existing grievance mechanism that is equipped to receive, register, and facilitate the resolution of SEA/SH complaints, including through the referral of survivors to relevant gender-based violence service providers, all in a safe, confidential, and survivor-centered manner.</p>	Address the gaps identified in for MSMEDA’s grievance mechanism, not later than 3 months after the Effective Date, and thereafter maintain and operate the mechanism throughout Project implementation.	MSMEDA
CAPACITY SUPPORT			

MATERIAL MEASURES AND ACTIONS	TIMEFRAME	RESPONSIBLE ENTITY
<p>CS1 Training may be required for PIU staff, selected FIs teams and Project workers, may include but not limited to, the following:</p> <ul style="list-style-type: none"> • ESMS overview, including LMP, screening tool of sub-projects. • SEP • SEA/SH prevention, including consequences on victims • Handling of SEA/SH cases in a survivor-centered approach • Workplace grievance mechanism, including roles, responsibilities, and accountabilities, including who to contact with any questions or concerns. • Monitoring of EHS compliance, SEA/SH, LMP and compliance with relevant ESSs <p>Awareness raising may be required for stakeholders, communities may include but not limited to, the following:</p> <ul style="list-style-type: none"> • GBV no tolerance • Grievance mechanism 	<p>During Implementation.</p>	<p>MSMEDA</p>