Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

Date Prepared/Updated: 04/15/2019 | Report No: ESRSC00400
## BASIC INFORMATION

### A. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Region</th>
<th>Project ID</th>
<th>Parent Project ID (if any)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Georgia</td>
<td>EUROPE AND CENTRAL ASIA</td>
<td>P169747</td>
<td></td>
</tr>
</tbody>
</table>

- **Project Name**: Integrated Regional and Local Development Project
- **Practice Area (Lead)**: Investment Project Financing
- **Estimated Appraisal Date**: 12/16/2020
- **Estimated Board Date**: 3/24/2021
- **Borrower(s)**: Ministry of Finance of Georgia
- **Implementing Agency(ies)**: Municipal Development Fund of Georgia under the Ministry of Regional Development and Infrastructure

### Proposed Development Objective(s)

The Project’s development objectives are to improve living conditions and economic activity in selected lagging areas by improving infrastructure for service provision, tourism, and related productive assets and to strengthen institutional and local capacity to support local economic development.

<table>
<thead>
<tr>
<th>Financing (in USD Million)</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Project Cost</td>
<td>60.00</td>
</tr>
</tbody>
</table>

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

No

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

In order to develop new tourism product linking the various “Municipal Clusters” and leveraging the specific economic potential of most remote and/or lagging areas, a regional-development approach would be applied in line with the current initiatives by the Ministry Regional Development and Infrastructure, whereas targeted public investments could provide a platform for boosting private sector investments, creating new opportunities for jobs and catalyzing...
growth of small and medium enterprises in the tourism value chain. This approach would also help to strengthen institutional capacity for sustainable regional development that promotes equity, improved coordination, improved management and sustainable use of cultural and natural assets and improved public private dialogue for planning and management in the tourism sector and at key destinations, particularly those away from the most popular routes. The project would consist of four components: Component 1 - Service Delivery for Sustainable Growth - will consist of subcomponent 1.1 for Upgrading and Regeneration of Urban Centers, subcomponent 1.2 for Sustainable Mountain Development, and subcomponent 1.3 for Provision of Public Infrastructure to Attract Private Investments; Component 2 - Disaster Risk Management and Resilience - will assist the Borrower in improving the preparedness for potential emergencies, through the delivery of selected resilient lifeline infrastructures combined to the enhancement of the institutional and technical capacity for disaster management and response; Component 3 - Skills Building and Institutional Strengthening - will invest in the institutional strengthening of the Municipal Development Fund of Georgia (the project implementing entity), as well as of the National Agency for Cultural Heritage Preservation of Georgia (NACHP), Georgia National Tourism Administration (GNTA), Mountain Resorts Development Company (MRDC), and relevant regional and local entities; and Component 4 - Project Management - will cover costs of overall project implementation, including: staff salaries, contracting of local and international experts and consultants to assist in the implementation of investments, external consultants and specialists for technical issues, training of staff and consultants associated with project implementation, procurement, social and environmental management, monitoring and evaluation. The proposed project is fully aligned with the objectives of the Country Partnership Framework (FY19-22), which supports sustainable and inclusive growth in Georgia, also paying a special attention to vulnerable groups and lagging regions. More specifically, the project supports Focus Area 1: Enhance Inclusive Growth and Competitiveness, as it aims at increasing economic participation, by implementing an integrated approach to tourism and other sectorial development in lagging regions, with a focus on infrastructures, urban renewal, cultural heritage restoration, skills development, attraction of private sector investments. The project also promotes the improvement of connectivity and integration, in order to reduce disparities and to help people living in rural and remote areas to better connect to services, business opportunities and markets. And it also supports Focus Area 3: Build Resilience, as it contributes to the enhancement of natural resources, as well as to the increase of sustainability of Georgia’s forests, at the same time strengthening the disaster risk management and the preparedness system.

D. Environmental and Social Overview

D.1. Project location(s) and salient characteristics relevant to the ES assessment [geographic, environmental, social] Georgia is located in the South Caucasus and is one of the Black Sea riparian nation-states. It borders with Armenia, Azerbaijan, Russian Federation and Turkey. Georgia comprises of the following administrative units: capital city of Tbilisi, Autonomous Republic of Adjara, Autonomous Republic of Abkhazeti, and nine regions - Kvemo Kartli, Shida Kartli, Kakheti, Mtskheta-Mtianeti, Samtskhe-Javakheti, Imereti, Guria, Samegrelo-Zemo Svaneti, and Racha-Lechkhumi and Kvemo Svaneti. The project will be implemented countrywide, excluding the Autonomous Republic of Abkhazeti and several municipalities of Shida Kartli currently not under de facto jurisdiction of the national government of Georgia. The project will target remote areas; mostly mountainous. They are not densely populated due to limited opportunities for education and jobs. Most communities are engaged in subsistence farming. Communities fully depend on firewood fuel. Deforestation around settlements as well as climate change impact increase natural calamities characteristic of mountainous landscape: rockfall, avalanches, flash floods, and erosion of steep slopes. As in other places on the globe, glaciers are retreating in Georgia as a result of global warming. In the recent years, a couple of natural disasters occurred as pro-glacial lakes broke through and flooded gorges causing destruction and claiming lives. Georgia submitted its intended Nationally Defined Contribution (NDC) document to the
UN Framework Convention on Climate Change in 2015 and signed the Paris Agreement in 2016. NDC includes actions on both - adaptation and mitigation. Adaptation priorities relevant for the project include strengthening capacity of communities to reduce their vulnerability to climate change and promote systems of early warning of approaching extreme weather events. Component 2 of the project will contribute to building preparedness for potential emergencies through the delivery of selected resilient lifeline infrastructure combined with the enhancement of the institutional and technical capacity for disaster management and response. On the mitigation side, the project is not expected to have a measurable carbon footprint. At the same time, it will lead to net decrease of emissions as compared to no-project scenario by improving energy efficiency of rehabilitated buildings and decrease of demand for hard fuels. Many remote mountainous parts of Georgia carry surviving virgin forests, landscapes of high aesthetic value, and ample cultural heritage - both tangible and intangible. As tourism is booming in Georgia, new economic opportunities emerge for mountainous areas eagerly visited by nature, culture, and sporting tourists. However, there are many constraints and bottlenecks for developing sustainable and high-revenue tourist schemes, such as poor accessibility, lack of public and specialized touristic infrastructure, underdeveloped hospitality services and general lack of human resources and good management. The project’s environmental and social impacts are mostly anticipated under Component 1 which would finance regeneration of strategic starting hubs for mountain trails, creation of eco-sustainable hospitality structures and tourism facilities (among which can be lodges along the trails), improved solid waste management, rehabilitation of selected access roads to potential natural attraction points and improvement of connectivity between them. Components 2, 3 and 4 would support technical assistance, institutional development and project management that are not likely to have environmental and social impacts. The project has the potential to expand social and economic benefits for a wide range of population groups in remote and mountainous locations. To achieve this, the project needs to effectively map and engage with local stakeholder groups including, but not limited to, youth, local micro and small enterprises, local authorities and community organizations.

D. 2. Borrower’s Institutional Capacity

The Municipal Development Fund of Georgia (MDF) under the Ministry of Regional Development and Infrastructure is the project implementing entity. It has substantial experience with implementing World Bank-financed projects. Capacity for environmental and social management of operations is also in place, including well-established system of environmental and social screening of investments, their risk classification, application of risk mitigation hierarchy to negative impacts of investments, monitoring and reporting on environmental and social compliance. Grievance redress mechanism is also in place allowing affected people to voice their concerns and seek remediation of experienced issues. Enforcement of operational health and safety is a relative weakness calling for more attention of the MDF management. This summary is drawn from the findings and observations made in the course of implementation support provided to the World Bank-financed first, second, and third Regional Development Projects, Regional and Municipal Infrastructure Development Project and Sustainable Wastewater Management Project, implemented by MDF. MDF’s Environmental and Social Department deploys full-time staff members and individual consultants who have benefitted from the ESF training. Carrying out of the Environmental and Social Impact Assessment reports and preparing of Resettlement Action Plans is usually outsourced to specialized consultant companies, while other environmental and social documents (Environmental and Social Management Frameworks, Resettlement Policy Frameworks, site-specific Environmental and Social Review and Environmental and Social Management Plans) are normally prepared in-house by MDF. Further capacity-building of MDF will be needed in the areas of stakeholder engagement, inclusive urban and infrastructure design and implementation, management of labor and working conditions requirements consistent with the ESF. At the policy level, the project is aligned with the Rural Development Strategy of Georgia, the National Tourism Strategy, Regional Development Program of Georgia, and activities supporting implementation of the Law on the Development of Mountainous Areas. Local Self-
Government Units (LSGU) will play a critical role in the selection and prioritization of investments on the basis of Local Development Plans. Capacity development of LSGU will be needed to assess and prioritize investments in an inclusive and participatory manner.

II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC) 

Environmental Risk Rating 

Mountainous areas of Georgia are environmentally and socially fragile. Natural and marginally transformed habitats comprise good part of them and support multiple rare, endangered and endemic species of flora and fauna. Most forests deliver important ecosystem services protecting slopes from erosion, preventing flash floods and avalanches, regulating water balance and providing natural resources to local communities whose livelihood strongly depends on their extraction. There are no indigenous people in Georgia, but many mountainous communities have strong attachment to their area of residence, deeply rooted religious and cultural traditions and habits. Hence, any intervention to these areas has high likelihood of affecting fine natural and cultural balance. However, as long as the project will not support construction of major infrastructure or any other medium to high scale civil works, it is unlikely that significant, complex or irreversible negative environmental and cultural impacts will be caused. Based on the high sensitivity of natural and cultural receptors but modest scale of the planned interventions and good track record of the project implementing entity, the environmental risk of the proposed project is rated as Moderate.

Social Risk Rating 

Civil works supported by the project are not large scale and are not expected to cause physical resettlement, economic displacement or permanent land acquisition. Temporary impacts on private assets and businesses, and disruptions to residents and local businesses, may be expected. The implementing agency has substantial experience and capacity with managing social risks of similar scale. Stakeholder risks may arise given the large number of interested parties - local residents; local, regional, and national government authorities including in the sphere of regional development, transport, social services, environment and cultural heritage; civil society; and a potentially high number of commercial entities engaged in the tourism value chain. A risk of exclusion of vulnerable and disadvantaged groups from benefits may arise if their participation in project design and implementation is not secured. An inclusive engagement during preparation and implementation is needed to mitigate exclusion and stakeholder risks.

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 will be implemented predominantly in economically lagging areas with good potential to develop through improving public infrastructure and services, and generating growth with emphasis on tourist visitation. Activities that may cause environmental and social impacts are expected mostly under Component 1: Service Delivery for Sustainable Growth. This component would entail small and medium infrastructure works, such as rehabilitation of roads, restoration of historic buildings, public street lighting, rehabilitation of selected waste water treatment
systems, construction of visitor facilities, and enhancement of natural and cultural heritage sites. Components 2, 3, and 4 are not expected to finance civil works. These components will fund technical assistance for disaster risk management preparedness; institutional capacity-building of the MDF, the National Agency for Culture Heritage Preservation of Georgia (NACHP), Georgia National Tourism Administration (GNTA), as well as the selected regional and local entities; and project management, monitoring and evaluation. Environmental, cultural and social sensitivities of the target areas are generally known upfront, but preparation of site-specific investments will require additional analysis with full participation of local communities. Most of these investments will not be identified during project preparation, but will rather come along, be reviewed and selected during the project life.

Environmental and social risks are assessed as Moderate based on the nature of works to be supported (small and medium scale infrastructure), and the strong track record of the implementing agency with environmental and social risk management. Environmental and social risks are expected to be low in magnitude and predictable. MDF will prepare an Environmental and Social Management Framework (ESMF) and a Resettlement Policy Framework (RPF) to lay out procedures for screening and approving investment ideas for the project support; undertaking environmental, cultural and social analysis of project interventions; developing and applying mitigation measures; undertaking environmental and social monitoring, recording its outcomes and using them for adaptive management of the project. With the World Bank's guidance and assistance, the MDF will develop new instruments required by ESF, such as the Labor Management Procedure for the Project, the Stakeholder Engagement Plan, and the Environmental and Social Commitment Plan. MDF will also include requirements to produce Contractor's Labor Management Procedure, Grievance Redress Mechanism for Contractor’s personnel, and Environmental, Social, Health and Safety (ESH) Code of Conduct into bidding documents for civil works contractors. Site-specific environmental and social management instruments will be prepared in the course of project implementation. These will either be prepared in-house by MDF or will be outsourced to specialized consultants as individual investments are identified and selected for the project support. There is a low risk of labor influx as most civil works are expected to be conducted by local workers. GBV risk is also estimated to be Low based on the scale of activities, existing analysis of the country context on GBV, and of referral mechanisms and support services. Nevertheless, requirement for including GBV prevention measures, such as adoption and enforcement of the ESHS Code of Conduct, will be included in the tender documents. An important aspect of project implementation modality is the inclusion of disadvantaged and vulnerable groups, among other stakeholders, in designing and undertaking of all project activities. This is geared, on the one hand, towards preventing disproportionate risks for these populations arising from the project, and even more so towards maximizing the benefits of the project for local populations in an inclusive manner. It is likely that a significant share of project beneficiaries comprises residents of remote rural areas, youth, elderly, unemployed. Some project areas may contain concentration of internally displaced persons or ethnic minorities. Creating inclusive spaces and opportunities for persons with disabilities and limited abilities (both residents and prospective tourists) would also be an important element of inclusive project design. The project has the potential to expand social and economic benefits for a wide range of population groups in remote and mountainous locations. To achieve this, the project needs to effectively map and engage with local stakeholder groups, including but not limited to youth, local micro and small enterprises, local authorities and community organizations. In addition to groups that may be disproportionately affected, the project will identify opportunities for expanding benefits to wide spectrum of local residents including vulnerable and disadvantaged, and/or removing barriers to their ability to partake in project benefits. Identification and assessment of environmental and social risks and impacts of the proposed project is based on the experience of the World Bank’s Task Team gained during years of supporting implementation of quite similar regional development projects in Georgia by the same implementing entity; description of learned lessons in the Implementation Completion and Results Report on the Regional Development Project; information provided in
the Strategic Environmental, Social and Cultural Heritage Assessment reports prepared for the three regional
development projects as well as other safeguard instruments prepared for their implementation; review of the
National Tourism Strategy (through 2025), Regional Development Program of Georgia (through 2021), the Rural

**Areas where reliance on the Borrower’s E&S Framework may be considered:**
Given moderate environmental and social risk of the project as well as the gaps between the requirements of ESF and
the national legislation, Borrower’s environmental and social framework will not be used for the project as whole or
for any of its parts.

**ESS10 Stakeholder Engagement and Information Disclosure**
Achieving the project objectives would require effective engagement of a wide range of stakeholders including, but
not limited to residents of remote and mountainous communities, local authorities at community, municipality and
district level, private sector (from micro and small to larger businesses and business associations in the tourism value
chain), domestic and international tourists, civil society organizations, and a range of central government authorities
(GNTA, NACHP, Mountain Resorts Development Company, National Mountain Development Council, Ministry of
Regional Development and Infrastructure, Ministry of Economy and Sustainable Development, Ministry of
Environment Protection and Agriculture, etc.). Inclusive stakeholder engagement is particularly important to ensure
that all residents in beneficiary communities have an opportunity to partake, have voice and agency to shape the
approach to development in their region and community. Inclusive engagement is also need to ensure that project
interventions maximize economic opportunities for local population, contribute to better access and quality of
services for targeted communities, to expanding opportunities to build skills of local population so that they can
benefit from increased tourism flow and local economic growth. Tailored engagement measures would be needed to
involve different sets of stakeholders including disadvantaged and vulnerable groups. MDF will prepare a Stakeholder
Engagement Plan (SEP) in a participatory manner. The SEP will map project-affected persons and other interested
parties, summarize their views on preferred modes of engagement throughout the project, propose stakeholder
engagement activities with he respective implementation roles, timeline and budget to be carries out through the life
of the project.

**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**
Project work force will include direct workers (MDF staff and consultants), and contracted workers (employees of civil
works contractors and sub-contractors). Community workers are not likely to be engaged under the project;
however, this would be confirmed by appraisal stage. The project would primarily rely of supply of construction
materials from the local market, hence no risk of child and forced labor is expected. MDF will prepare a Labor
Management Procedure (LMP) for the project outlining the expected number and type of workers, key gaps between
national legislation and regulations that need to be addressed at the project level, as well as monitoring and
supervision arrangements. Key aspects of the LMP pertaining to contracted workers, such as Occupational Health and
Safety (OHS), adequate working conditions, adequate living conditions in the event of work camps, a functioning
grievance and redress mechanism for workers, will be included in the Contractors' Environmental and Social Management Plan. Bidding documents will make explicit reference to these aspects to ensure the commitment of selected contractors to adhere to ESS2 principles. The task team will review MDF's internal HR procedures to ensure consistency with ESS2 requirements and propose any gap filling measures. The national legislation on labor and working conditions is relatively advanced. The Labor Code of Georgia includes measures on equal opportunity and non-discrimination, regulates hiring and firing procedures, allows for collective organization and bargaining. A new regulation on labor safety includes provisions was adopted in 2018, however it is limited to a set of hazardous professions and may not be relevant to all project activities. Important gaps between national systems and ESS2 are expected to include lack of effective national systems for monitoring and enforcement of the Labor Code provisions and OHS, and lack of requirement for worker's grievance redress mechanism. Such mechanisms need to be established at the project level.

ESS3 Resource Efficiency and Pollution Prevention and Management

Most of the project interventions will occur in the areas of high ecological, cultural and aesthetic value. Because of fragility and serenity of the environment, any pollution of air, soil, surface and ground waters, propagation of noise and vibration, and littering in and around sites of natural and cultural significance will have higher impact on these surroundings as compared to anthropogenically more transformed parts of the country. At the same time, areas targeted by the project have least developed infrastructure for solid waste and wastewater collection and management, which is challenging due to remoteness, difficulty of access and diseconomy of scale. Addressing risk of pollution during construction and operation phases will be highly important for achieving material consistency with the requirement of ESF and for ensuring its environmental sustainability. Provision for anticipating, preventing and minimizing risks of pollution will be included into the ESMF and reflected in the site-specific Environmental and Social Management Plans (ESMPs), as required.

ESS4 Community Health and Safety

The dependence of communities, residing in remote mountain areas, on the ecosystem services and natural resources will have to be identified, analyzed and integrated into the design of project interventions. Civil works under the project will adopt risk-proportionate safety measures, which may include but are not limited to traffic safety, emergency response plans, community-level health and safety plans. The management of community health and safety issues will be described in the project's ESMF and integrated in the site-specific ESMPs to be monitored across all sub-projects. Given the scale of activities and prior experience with regional development projects implemented by MDF, no risks related to use of security or GBV are expected. Labor influx is likely to be limited; civil works will be performed primarily by national contractors with large participation of workers hired from beneficiary communities. MDF, civil work contractors, supervision consultant teams, and all other project entities present in communities will adopt and enforce the ESHS Code of Conduct to prevent and manage potential adverse influence on communities arising from project workers. The principles of 'universal access' will apply to all project activities and will be explicitly included in Terms of Reference for design, supervision, and construction contracts. The project will seek to engage with local authorities to ensure that 'universal access' principles are mainstreamed in local development and action plans.
ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

Project activities are not expected to cause physical resettlement. Permanent impacts on land and economic assets are also unlikely. Temporary impacts on either residential or commercial buildings, may occur as a result of urban upgrading activities such as rehabilitation of house facades, public areas, water and sanitation networks, among others. The RPF will be prepared prior to project appraisal. MDF will screen all sub-projects for resettlement impacts, prepare and implement Resettlement Action Plans where applicable. MDF has substantial experience with screening and management of resettlement related risks in projects of similar scale.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

The project will invest in the areas attractive for nature tourism. These areas are characterized with natural habitats and critical habitats may also occur. Most of the target area has high aesthetic value as well. Local communities are known to have higher than national average dependency on ecosystem services and living natural resources. Therefore, all proposed interventions will have to be screened for potential impacts on the ecosystems, ecosystem services and natural resources, mitigation hierarchy be applied to the identified risks, and designs for works be adjusted to prevent or minimize negative impacts. Detailed instructions on applying these procedures will be described by MDF in the ESMF and reflected in the site-specific ESMPs, as required. Currently there is low capacity on the part of local authorities to analyze environmental and social risks and to design adequate management activities in local action plans. The project will seek to provide support in this area as part of its capacity-building activities.

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

No indigenous people reside in Georgia.

ESS8 Cultural Heritage

The project is likely to finance works in and around cultural heritage sites. Its interventions may have direct or indirect impact on tangible and intangible cultural property. Impacts on cultural heritage may arise as a direct impact from civil works under the project, or as a consequence of increased tourism flows. Each individual investment will have to be screened for its cultural impacts and investment design be adjusted so that positive impacts are maximized and negative impacts are prevented. Local development plans would include a discussion of measures to prevent and/or manage negative consequences of increased tourism flow. The design of infrastructure investments will be coordinated with the national institutions and stakeholders (e.g., NACHP, Orthodox Church) to ensure quality of design and implementation. Chance finds may be encountered during earth works to be undertaken during project implementation. Detailed instructions on the screening, mitigation and monitoring of impacts on the known cultural assets as well as detailed procedure for handling chance finds will be provided in the ESMF and then reflected in site-specific ESMPs, as required.

ESS9 Financial Intermediaries

No financial intermediaries are party to the project implementation modality.
B.3 Other Relevant Project Risks

None.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways
No

OP 7.60 Projects in Disputed Areas
No

III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

A. Is a common approach being considered?
No

Financing Partners
The Austrian Development Agency may support complementary activities in the tourism and adventure sector. It is not expected that there would be any Associated Facilities for the Project.

B. Proposed Measures, Actions and Timing (Borrower’s commitments)

Actions to be completed prior to Bank Board Approval:
- producing draft final Environmental and Social Management Framework, Resettlement Policy Framework, Labor Management Procedure and Stakeholder Engagement Plan, all satisfactory to the World Bank;
- disclosing and holding stakeholder consultations on the draft final Environmental and Social Management Framework, Resettlement Policy Framework and Stakeholder Engagement Plan.

Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):
- adherence to Environmental and Social Management Framework, Resettlement Policy Framework and Labor Management Procedure;
- implementation of Stakeholder Engagement Plan;
- development and implementation of site-specific Environmental and Social Management Plans;
- maintaining qualified environment and social staff;
- maintaining a functioning project grievance redress mechanism.

C. Timing

Tentative target date for preparing the Appraisal Stage ESRS
31-Jan-2020

IV. CONTACT POINTS

World Bank
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): Rosanna Nitti
Safeguards Advisor ESSA Nathalie S. Munzberg (SAESSA) Cleared on 19-Apr-2019 at 14:47:50
Practice Manager David N. Sislen (PMGR) Conurred on 21-Apr-2019 at 19:37:27