

Georgia: Relief and Recovery for MSMEs Project
Environmental and Social Management Framework

DRAFT

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Acronyms and Abbreviations

CPF	Country Partnership Framework
ECM	External Communications Mechanism
EG	Enterprise Georgia
ESDD	Environment and Social Due Diligence
ESF	Environmental and Social Framework
ESG	Environment, Social, Governance
ESMF	Environmental and Social Management Framework
ESMS	Environmental and Social Management System
ESS	Environmental and Social Standard
IFI	International Financing Institutions
GM	Grievance Mechanism
KYC	Know Your Customer
MoEPA	Ministry of Environmental Protection and Agriculture
MoESD	Ministry of Economy and Sustainable Development
MoILHSA	Ministry of Internally Displaced Persons from the Occupied Territories, Labor, Health and Social Affairs
MSME	Micro, Small, and Medium Enterprise
NBG	National Bank of Georgia
NGO	Non-Governmental Organization
PFI	Participating Financial Institution
POM	Project Operations Manual
SEP	Stakeholder Engagement Plan

1 Introduction

1. Georgia's economy has grown rapidly over the past decade and it has recently been classified as an upper-middle-income country. The global COVID-19 pandemic has dislodged the country's growth trajectory, threatening the progress made in both economic development and poverty reduction. Despite Georgia's success in improving its business environment, access to finance constraints for micro, small, and medium-size enterprises (MSMEs) have persistently hampered firm growth and survivorship, even before the COVID-19 pandemic. Access to finance, especially for MSMEs, is still affected by macro-financial structural factors, which are likely to become more pressing due to the COVID-19 crisis. The COVID-19 crisis has severely affected firms and employment in Georgia. Firms are having challenges in adjusting their operations to current conditions and particularly in terms of the migration to e-commerce. The crisis may widen pre-existing gender gaps in economic participation. A resilient recovery will require a suite of instruments that strengthen the existing ecosystem for MSME development, ranging from financial instruments that alleviate access to finance constraints to adjustment mechanisms, that include technology adoption and the use of digital financial services.
2. Upon request from the Government of Georgia, the International Bank for Reconstruction and Development has agreed to provide a loan for investing into the implementation of the Relief and Recovery for MSMEs Project. The Project is aligned with the World Bank Group's Country Partnership Framework (CPF) developed for Georgia, covering the period of 2019-2022, namely – with the CPF Focus Area 1: Enhance Inclusive Growth and Competitiveness.
3. Enterprise Georgia (EG) is the main implementing entity of the Project and has developed the present Environmental and Social Management Framework (ESMF) to lay out guiding principles for applying Environmental and Social Due Diligence (ESDD) to the Project-financed activities. The ESMF is structured in a way to facilitate compliance of the Project implementation with the relevant national legislation and to ensure its material consistency with the requirements of the Environmental and Social Framework (ESF) of the World Bank.

2 Project Description

4. The Project Development Objective for the Relief and Recovery for MSME operation is to provide relief to MSMEs and support their recovery, including by strengthening the enabling environment for access to finance.
5. The Project will be implemented nationwide and will consist of four components:
 - Component 1 – Financial relief and recovery for MSMEs
 - Component 2 – Digital payments & financial infrastructure upgrading
 - Component 3 – Project management and monitoring
 - Component 4 – Contingent Emergency Response Component
6. The objective of Component 1 is to alleviate the financial constraints of firms and help them adjust their business to the post-COVID-19 scenario.

- *Sub-component 1.1* will provide micro-grants to finance working capital and fixed assets for micro and small firms.
 - *Sub-component 1.2* will co-finance interest payments on loans underwritten by participating financial institutions (PFIs).
 - *Sub-component 1.3* will provide partial credit guarantees for loans issued by PFIs.
 - *Sub-component 1.4* will provide technical assistance for COVID-proofing and digitalization of MSMEs.
7. The objective of Component 2 is to strengthen the financial sector’s infrastructure that enables access to and usage of digital financial services. It also aims to expand access to finance to MSMEs through a wider use of movable collateral, also contributing to the resilience of firms.
- *Sub-component 2.1* will finance investments, operational costs and technical assistance for the introduction of an instant payment system.
 - *Sub-component 2.2* will finance investments for the establishment of an e-KYC infrastructure and a know-your-customer (KYC) registry.
 - *Sub-component 2.3* will aim at strengthening the regime for movable collateral registration and execution, so that the current overreliance on land collateral by lenders can be curtailed.
8. Component 3 will finance the project management, implementation, and monitoring needs by covering expenses related to: (i) implementation costs of Enterprise Georgia (EG), including operational expenses and additional staff needs to perform the overall project implementation and comply with EG’s fiduciary responsibilities, as well environmental and social standards responsibilities; (ii) Project monitoring and evaluation, including enterprise surveys and costs associated with impact assessments; (iii) technical assistance and training activities for participating financial institutions (PFIs) interested in upgrading their environmental and social management systems (ESMS); and (iii) other institutional strengthening activities.
9. Component 4 will be activated upon the request of the Borrower and the consent of the World Bank in case the government of Georgia encounters a need for rapid response to an emergency which may occur during the Project life. Upon activation of this component, with a current zero allocation of resources at present, the required amount of Project proceeds will be re-allocated from other components to Component 4 for the implementation of emergency response actions.

3 Project Implementation Arrangements

10. The majority of the Project activities fall under Component 1. Component 1 will be implemented by EG, which is a governmental economic development agency operating under the Ministry of Economy and Sustainable Development of Georgia (MoESD). EG’s mission is to support the achievement of long-term strategic goals of the Georgian economy through three major pillars:
- Enterprise Georgia – Business Development
 - Enterprise Georgia – Invest in Georgia
 - Enterprise Georgia – Export Support
11. EG focuses on increasing the competitiveness of private sector, enhancing the country’s export potential and promoting as well as supporting foreign direct investments in Georgia.

12. The Business Development division of the agency aims to develop entrepreneurship in Georgia by supporting entrepreneurs, creating new enterprises and promoting the expansion or re-equipment of existing enterprises.
13. The Export Support division is engaged in promoting the export potential of the country in order to increase the competitiveness of local products on international markets and the export volume of domestic products.
14. The Invest in Georgia division plays a role of moderator between foreign investors and the government of Georgia, ensuring that the investor gets different types of updated information and has means of effective communication with the government bodies. The aim of the investment division is to attract, promote and develop foreign direct investments in Georgia. It serves as a “one-stop-shop” for investors to support companies before, during and after the investment process.
15. For the implementation of sub-component 1.1, EG will contract Contractor Organizations¹ to manage the outreach, screening, application process, and monitoring of grant-financed activities under the micro-grant scheme. With sub-components 1.2 and 1.3, EG will co-finance interest payments and provide partial guarantees for MSMEs to be delivered via participating financial institutions (PFIs). PFIs may be commercial banks, leasing companies or microfinance institutions. Sub-component 1.4 will provide training to businesses in digitization and COVID-proofing and will support the expansion of the content delivery for EG’s “growth hubs” which aim to provide business skill training throughout the country over the next five years.
16. Sub-component 2.1, implemented by the National Bank of Georgia (NBG), will finance investments and operational costs associated with the infrastructure of the instant payment system, as well as technical assistance to support outreach and connections of users to the system. MoESD will act as a technical lead for the implementation of sub-component 2.2, in coordination with the Ministry of Justice, while EG will perform the fiduciary functions in the capacity of an agent of the MoESD. Similar arrangements are in place for the implementation of sub-component 2.3: MoESD will act as a technical lead with the responsibility of advancing the reform of collateral registration and execution, and convening the meetings of a working group that will include the Ministry of Justice, NBG, and the National Agency of Public Registry, as well as the required technical experts. EG will perform the fiduciary functions in the capacity of an agent of the MoESD.
17. The financial sector is making progress in strengthening environmental and social frameworks. NBG has a role in licensing, regulating and supervising all financial institutions in the country. In 2020, NBG adopted *Environmental Social and Governance (ESG) Reporting and Disclosure Principles*² for the country, which provide guidelines to assist commercial banks and other financial institutions with the disclosure of ESG-related information in a relevant, useful, consistent and comparable manner. A number of banks intended as PFIs for the Project, have already established institutional environmental and social management systems (ESMSs) as a result of prior collaboration with

¹ These can be non-governmental organizations (NGOs) or other entities which are contracted to implement the small grants.

² Available at: https://www.nbg.gov.ge/uploads/esg/nbg_principles_on_esg_disclosure.pdf

international financial institutions (IFIs) and/or are in the process of developing and updating their ESMS as a result of NBG's new guidelines. The deadline for the first ESG disclosure is early 2021.

4 Possible Environmental and Social Impacts of the Project and Relevance of World Bank Environmental and Social Standards

18. Environmental and social impacts under the Project are mostly anticipated under Component 1, which will provide financing for MSME activities. Components 2 and 3 will finance technical assistance and project management activities, respectively, and as such will not have a physical footprint on the environment or local communities and will not be associated with tangible environmental and social impacts. Component 4 will be activated to provide contingency funding under emergency circumstances. The definition of eligible activities under this component and related environmental and social screening and risk management measures will be described in a dedicated chapter of Project Operations Manual (POM).
19. Where they do occur, under any component of the Project, environmental and social impacts will be managed by the principles and procedures described the present ESMF in a manner consistent with the objectives and requirements of the World Bank ESF and national legislation of Georgia.
20. The possible environmental and social impacts of the Project are mainly associated with the activities of MSMEs that would benefit from grants, loan interest rate co-financing, or guarantees under Component 1. As the specific Project-financed activities cannot be determined at Project preparation stage, the present ESMF lays out the process, roles and responsibilities for the screening, management, and monitoring of environmental and social risks during Project implementation stage.
21. The range of possible impacts is broad and diverse, including but not limited to noise, dust, or odor generation, air, water or soil pollution, use of pesticides (relevant to agricultural enterprises), liquid and solid waste, including toxic/hazardous waste, use of natural resources, risks related to labor and working conditions, occupational health and safety, risks related to construction or rehabilitation works, among others. Additionally, key social risks of the Project may relate to the ability of all citizens, especially vulnerable and disadvantaged groups, to receive information, engage with, and benefit from the project in an equitable manner, and to access the project grievance mechanism. The Project may pose risks to biodiversity and/or cultural heritage if MSME activities are conducted in close proximity to protected areas, natural or cultural monuments. These risks will be avoided or minimized to the extent possible and, where unavoidable, will be mitigated in line with the provisions described in the present ESMF and Georgian national legislation. The Project is not expected to cause impacts related to land acquisition, land use restrictions, or involuntary resettlement (this excludes land and property transactions conducted on willing buyer – willing seller basis). This will be verified via screening procedures described in the present ESMF and included in the ESMS due diligence procedures of the respective financial intermediaries.
22. The Relief and Recovery for MSMEs Project is financed by the World Bank, and as such the objectives and requirements of the World Bank ESF apply to all Project-financed activities. This section provides

a summary of the World Bank ESF Environmental and Social Standards (ESS) and their relevance to the Project.³

Table 1. Summary of World Bank’s Environmental and Social Standards (ESS) and their relevance to the Project

World Bank ESS	Relevance to the Project
ESS1. Assessment and Management of Environmental and Social Risks and Impacts	All Project activities that present possible environmental and social impacts (i.e., activities under Component 1) will be subject to screening, due diligence, and monitoring by EG, contractor organizations and PFIs to ensure conformance with Georgian national environmental and social legislation and relevant requirements of ESF, as described in chapter V of this ESMF. Where non-compliance with national law or ESMF occurs, posing risks to the environment, people or communities; remedial actions will be identified and their implementation will be monitored and ascertained by EG, via Contractor Organizations and PFIs, involving other national authorities, as relevant.
ESS2. Labor and Working Conditions	ESS2 applies to all direct and contracted workers under the Project. This includes employees of the Project implementation team at EG and NBG, employees of Contractor Organizations and PFIs, and any Consultants recruited for implementation of Project activities. The labor management procedures described in chapter VI of this ESMF (along with all applicable national legislation of Georgia, e.g., Labor Code, Labor Safety Law), apply to all direct and contracted workers under the Project. Project beneficiaries (MSMEs) via their contractual agreements with EG and PFIs for receiving Project funding will also commit to comply with national labor legislation (including terms of employment and working conditions and occupational health and safety), refrain from forced or child labor, and provide their employees with meaningful grievance mechanism for workplace complaints. Where subproject risks are Substantial, the LMP will complement national law and the ESF to include good international industry practices for working conditions and occupational health and safety issues specific to their sector of work.
ESS3. Resource Efficiency and Pollution Prevention and Management	Impacts related to pollution and the efficient use of resources are potentially relevant to the activities of MSME beneficiaries under sub-component 1.2 and 1.3. Risk identification and mitigation measures will be integrated in screening and due diligence measures for MSME beneficiaries as described in chapter V of this ESMF.
ESS4. Community Health and Safety	The Project is not expected to cause risks to community health and safety. Only low-risk activities will be supported by sub-component 1.1. Community health and safety risks under sub-components 1.2 and 1.3 will be identified and managed via screening and due diligence procedures as described in section 5.2 of this ESMF. Project beneficiaries (MSMEs), via their contractual agreements with EG and PFIs, will commit to robust community health and safety measures per national law, and to zero tolerance for sexual exploitation and abuse and sexual harassment (SEA/SH) within their operations.
ESS5. Land Acquisition, Land Use Restrictions, and Involuntary Resettlement	Project activities that entail involuntary resettlement impacts, e.g., impacting the land, property, or livelihoods of any affected person – owner or informal user - will not be eligible for financing under the Project. This will be verified by EG, Contractor Organizations, and PFIs via screening and due diligence procedures as described in chapter V of this ESMF.

³ More details and guidance on the World Bank ESF can be found at <https://www.worldbank.org/en/projects-operations/environmental-and-social-framework>

More details on the gaps between national legislation of Georgia and World Bank ESF can be found at: <http://documents1.worldbank.org/curated/en/105031592550795667/pdf/Analysis-of-Gaps-between-National-Legislation-of-Georgia-and-World-Bank-Environmental-and-Social-Framework.pdf>

World Bank ESS	Relevance to the Project
ESS6. Biodiversity Conservation and Sustainable Management of Living Natural Resources	Activities within protected areas will not be eligible for financing under the Project. Impacts on biodiversity and living natural resources outside protected areas are not expected to occur; however, this will be verified by screening and due diligence procedures as described in section 5.2 of this ESMF. Where risks to biodiversity are identified, the respective activities will be deemed ineligible for financing under the Project or they will be managed via Biodiversity Management Plan to be prepared by the Project beneficiary and reviewed and approved by EG and the World Bank.
ESS7. Indigenous Peoples / Sub-Saharan African Historically Underserved Traditional Local Communities	This standard is not relevant to the Project.
ESS8. Cultural Heritage	Activities within cultural heritage monuments or having a direct impact /footprint on tangible or intangible cultural heritage will not be eligible for financing under the Project.
ESS9. Financial Intermediaries	Sub-components 1.2 and 1.3 will involve financial intermediaries. In accordance with ESS9, PFIs under the Project will maintain an ESMS including at minimum: (i) an environmental and social policy; (ii) clearly defined procedures for the identification, assessment and management of the environmental and social risks and impacts of sub-projects; (iii) organizational capacity and competency; monitoring and review of environmental and social risks of subprojects and the portfolio; and (iv) an external communications mechanism. The key features of PFIs' ESMS and E&S screening and risk management procedures are presented in chapter 5.2 of this ESMF.
ESS10. Stakeholder Engagement and Information Disclosure	<p>The Project implementing entities, as well as the Contractor Organizations and PFIs involved in the delivery of funds to beneficiaries, will provide transparent information and systematically engage with stakeholders to ensure their informed and effective engagement and participation in project activities. They will ensure that appropriate information on environmental and social risks and impacts is disclosed to stakeholders in a timely, understandable, accessible and appropriate manner and format. Stakeholders may include project affected persons or other interested parties. The list of potential stakeholders and stakeholder engagement activities is described in the Project Stakeholder Engagement Plan (SEP) and summarized in chapter VIII of this ESMF.</p> <p>EG will develop and maintain a Project Grievance Mechanism (GM). Contractor Organizations will have roles in the management of the GMs at the local level for activities under sub-component 1.1. PFIs will establish External Communication Mechanisms as part of their corporate ESMS, which will be used for receipt and handling of grievances. EG will designate a GM focal point within its Project implementation team who will have overall responsibility for the design, management, monitoring and reporting on, and training of all staff involved in the functioning of the GM.</p>

23. *In accordance with ESS9, beneficiary MSMEs financed by the Project, whose activities are categorized as Low or Moderate environmental and social risk, as per the World Bank ESF, will follow the requirements of national legislation, as well as the Project's exclusion list. Where MSME activities are categorized as Substantial risk, the management of environmental and social risks and impacts will be conducted in line with the requirements of the project ESMF and consistent with the World Bank's ESSs. MSME activities classified as High environmental and social risk will not be eligible for financing*

under the Project. Requirements of ESS9, set forth for the PFIs, should be met by all commercial banks, leasing companies and microfinance institutions participating in the Project implementation. Requirements of ESS2 and ESS10, set forth for EG, are applicable throughout the life of the Project.

24. Chapter V below describes in more detail the environmental and social risk management approach under the Project and institutional roles and responsibilities, including risk screening and categorization.

5 Environmental and Social Risk Management Approach under the Project

25. The Project takes a proportional approach to environmental and social risk management, meaning that simple procedures will be applied to Low and Moderate risk activities, while more effort will go into handling of Substantial risk operations. As project implementing entity (for Component 1), EG carries overall responsibility for the environmental and social risk management of Project-financed activities and necessary oversight of Contractor Organizations and PFIs that will conduct screening and monitoring of environmental and social performance of project-financed activities. EG will adopt an ESMS for the purposes of this Project. Within the framework of this system, EG will ensure that entities participating in Project implementation also have in place adequate institutional arrangements and procedures for meeting the requirements of the national legislation of Georgia and the ESSs of the World Bank relevant for the Project.
26. Due to differing environmental and social risk levels of activities to be undertaken under sub-components 1.1, 1.2 and 1.3 of the Project, the present ESMF provides differentiated environmental and social requirements for activities to be supported by these components.
27. Sub-component 1.1 carries least environmental and social risks. This sub-component will provide grants of up to GEL 30,000 (approximately US\$ 10,000) to support operating costs, expansion, or re-equipment for existing or new enterprises. EG will partly outsource administration of this sub-component to Contractor Organizations, to be hired on the contractual basis. Applicants will first self-report on 5 questions during the application phase (step 1 in the process flow in Figure 1) and these will be verified during the inspection phase (Step 7 in the process flow in Figure 1). EG and Contractor organizations will undertake risk screening of the incoming grant applications, include screening outcomes into the process of decision-making on the approval of grant requests, oversee environmental and social performance of grant recipients, and produce regular reports on the environmental and social performance under the micro-grant scheme. Designated EG environmental and social staff will address concerns raised by Contractor organizations prior to the approval of grant requests and conduct monitoring and reporting on activities, including post-approval checks, to verify that screening and risk management measures are being undertaken in line with the Project ESMF.

Figure 1: Current Process Flow for Microgrants



28. Sub-components 1.2 and 1.3 will be implemented with the involvement of commercial banks, leasing companies and microfinance institutions, hereby referred to as PFIs for the purposes of the Project. Sub-component 1.2 will co-finance interest rate payments for MSME loans ranging from US\$ 16,000 to US\$ 3.3 million. Sub-component 1.3 will finance a credit guarantee mechanism instituted by the government. Loans under this sub-component are expected to range between US\$ 16,000 and US\$ 1.6 million with an average loan size of US\$ 280,000. Because of the larger scale and diversity of activities to be financed via PFIs in sub-components 1.2 and 1.3, environmental and social risk screening and management will also be more diverse and challenging. As per the requirements under World Bank ESS9, PFIs will be required to establish and/or maintain a functional ESMS. This requirement holds for the parts of the PFI portfolios to be supported from the Project. However, PFIs may also opt to adopt or improve ESMS at the corporate level. The latter would be in line with the efforts to improve ESG risk management of financial institutions in Georgia led by NBG, and the new *ESG Reporting and Disclosure Principles* adopted by NBG in 2020.⁴

29. The below sub-sections of the ESMF provide detailed layout of environmental and social risk management requirements under Component 1 of the Project implemented by EG.

5.1 Environmental and Social Risk Management under Sub-Component 1.1

30. Under sub-component 1.1, the Project will provide grants of up to GEL 30,000 (approx. US\$ 10,000) to micro and small entrepreneurs. EG will competitively select and hire Contractor Organizations to administer parts of the micro-grant scheme. Each Contractor Organizations will be mandated to operate in a (set of) designated administrative regions of the country. EG and Contractor Organizations will be both responsible for: (i) ensuring that grant applications carry sufficient information on the enterprise seeking a grant and on the activities intended for grant financing; (ii) undertaking environmental and social screening of applications using the questionnaire attached to the present ESMF (Annex 2), to be self-reported by the applicant, and verified during inspections conducted before grants are awarded; (iii) duly integrating the outcome of environmental and social screening into the decision-making process on the grant award; (iv) overseeing the environmental and social performance of the grant-financed portfolio via the reports provided by grant beneficiaries and physical spot-checks; and (v) reporting on a semi-annual basis on the environmental and social

⁴ For more information see https://www.nbg.gov.ge/uploads/finstability/roadmap/sustainable_finance_roadmap_eng.pdf and https://www.nbg.gov.ge/uploads/esg/nbg_principles_on_esg_disclosure.pdf

performance of the grant scheme (among other aspects of performance) and due diligence applied to verify environmental and social performance.

31. *It is agreed that sub-component 1.1 will support only those activities that are assessed as carrying Low environmental and social risk.* Environmental and social risk screening under this sub-component will be undertaken by Contractor Organizations or relevant Employees of EG staff under the guidance of EG Environmental and Social Specialists based on information provided by applicants using the questionnaire annexed to this ESMF (see Annex 2), which is verified during inspections conducted before grants are awarded. Designated environmental and social staff within EG will address concerns raised by Contractor organizations of relevant employees of EG prior to the approval of grant requests and conduct monitoring and reporting on activities, including post-approval checks, to verify that screening and risk management measures are being undertaken in line with the Project ESMF.
32. Screening implies rejecting applications that request grant funding for the following types of activities:
- (i) **Activities appearing on the World Bank Group's exclusion list:** these activities listed in the present ESMF (see Annex 1) are, as a rule, ineligible for any World Bank financing;
 - (ii) **Activities that entail involuntary resettlement impacts:** involuntary resettlement impacts may include permanent or temporary restrictions to land, assets, or livelihoods to any affected person (owner or informal user). To verify this, screening needs to ascertain that all land and property where business activities will take place, belongs to the grant beneficiary and is free of any formal or informal use by a third party who may be directly and adversely affected by the physical footprint of the beneficiary's activities;
 - (iii) **Activities of an enterprise that has been sanctioned for non-compliance with the national environmental and/or social legislation:** Contractor Organizations will require signed confirmation from potential grant beneficiaries that they do not have a history of prior non-compliance or sanctions from state environmental or social authorities;
 - (iv) **Activities for which the grant applicant does not hold permits or licenses as required by the national legislation:** if an application is missing evidence of required permits, the applicant will be required to produce those or, if they are unable to do so, the application will be rejected;
 - (v) **Activities with significant risks and impacts on workers and on community and occupational health and safety:** this includes activities that could affect working conditions and health of workers and which does not allow illegal child labor or forced labor. It also includes activities that could be unsafe and unhealthy for workers and members of the surrounding community; and
 - (vi) **Activities to be implemented in a designated protected area or cultural heritage site:** this includes activities in any of the categories of projected areas covered by the Law of Georgia on the System of Protected Areas, designated Emerald Network sites⁵, and activities inside or in immediate proximity to a material monument of Georgia's cultural heritage as defined in the Law of Georgia on Cultural Heritage.

⁵ The Emerald Network is an ecological network made up of Areas of Special Conservation Interest. Its implementation was launched by the Council of Europe as part of its work under the Bern Convention on the Conservation of European Wildlife and Natural Habitats. At present, there are 46 Emerald Network sites designated in Georgia.

33. **Activities that have passed environmental and social screening as described above, will be implemented according to the national environmental and social legislation of Georgia.** Grant contracts, to be signed between the beneficiaries and EG, will include confirmation that beneficiary MSMEs will comply with all applicable environmental and social legislation of Georgia, including the national Labor Code and Labor Safety Law.

Figure 2. E&S process for grant applicants - For new calls for applications

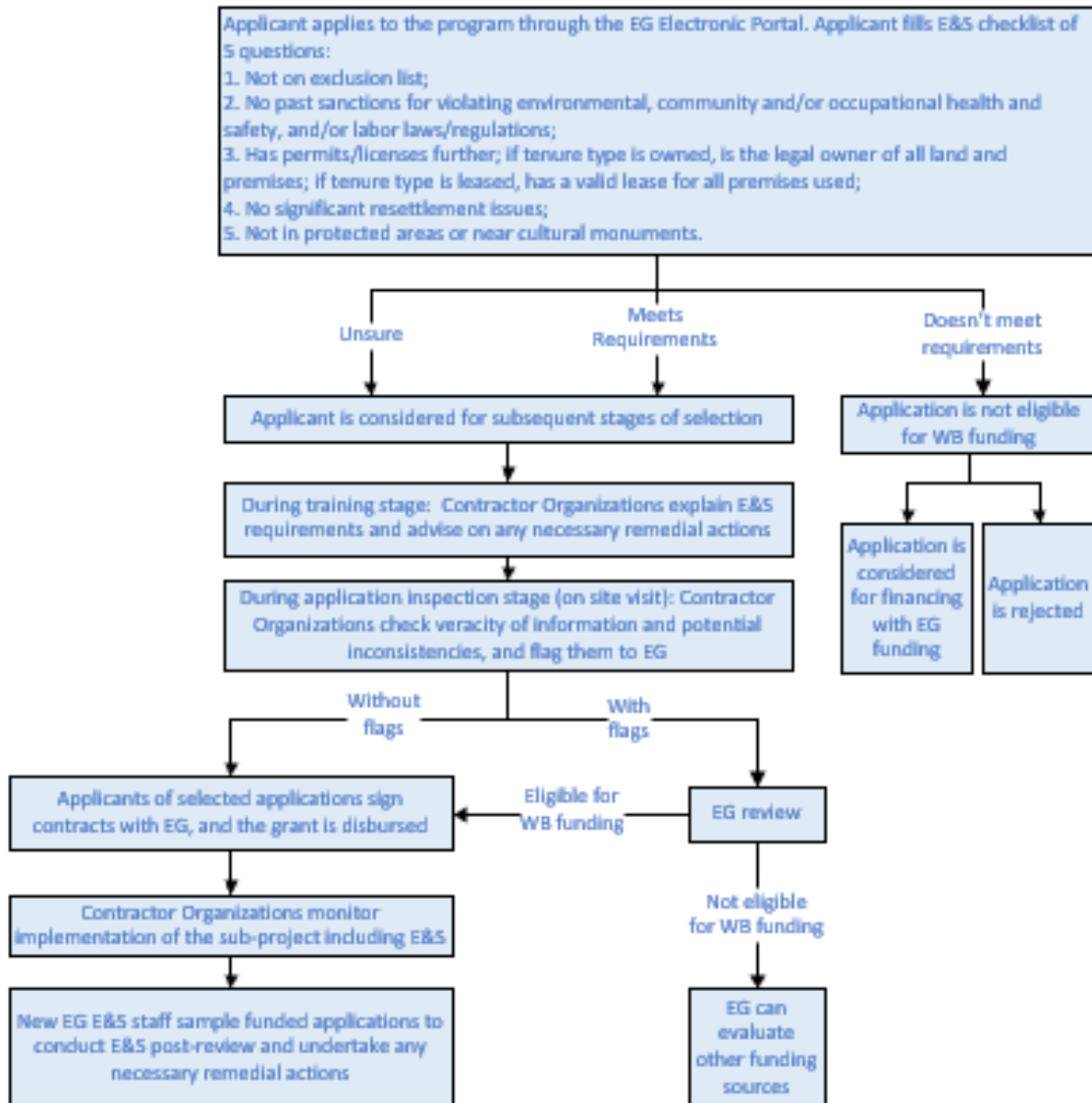
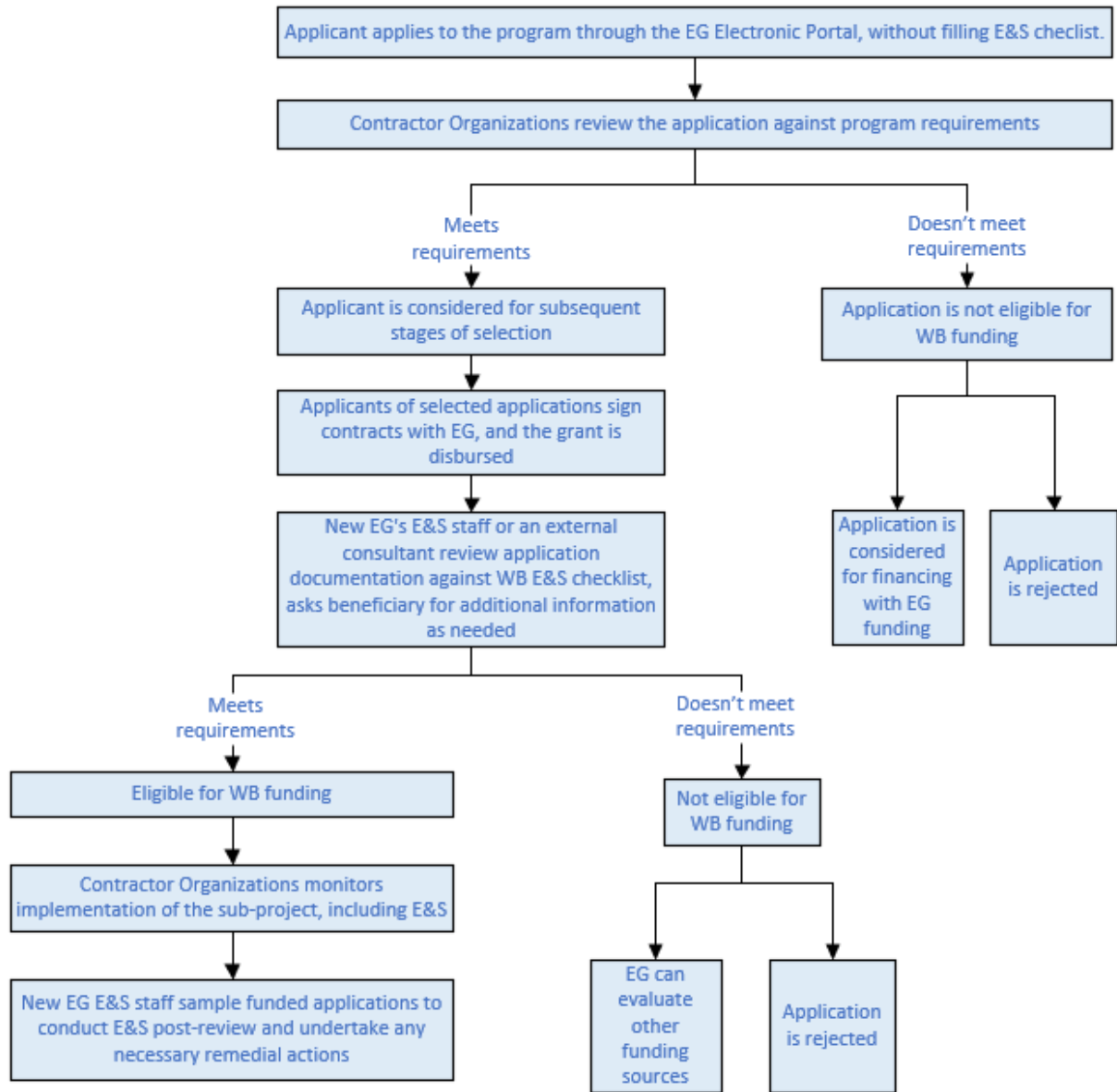


Figure 3. E&S process for grant applicants - for ongoing call for applications



34. EG requires that the Contractor Organizations managing the grant scheme under sub-component 1 have a strong presence in the administrative regions of Georgia to which they are assigned. Contractor Organizations will be required to develop, adopt and implement a GM as part of the broader Project GM. The Project GM is described in the Stakeholder Engagement Plan of the Relief and Recovery for MSMEs Project, as well as in chapter VII of this ESMF.

35. Through the GM, local communities affected by the implementation of grant-financed activities will be able to raise concerns should they experience negative impacts from these activities (e.g. nuisance from noise, odor, vibration, littering, etc. by an enterprise). Upon receipt of a complaint the

Contractor Organizations will record it and seek to resolve it with the help of local authorities, if applicable. If a complaint cannot be resolved at the local level, the Contractor Organizations will contact the grievance focal point within EG to seek support with the resolution of the grievance. Depending on the content of the grievance, site visits may be necessary and methodological guidance may be sought from the Ministry of Environmental Protection and Agriculture (MoEPA), Labor Inspection Department of the Ministry of Internally Displaced Persons from the Occupied Territories, Labor, Health and Social Affairs (MoILHSA) or other relevant authorities. Both Contractor Organizations and EG will maintain detailed logs on grievances and their status/ resolution. EG will report on them to the World Bank in semi-annual reports.

36. Contractor Organizations will be contractually obligated to immediately (no later than 48 hours) report to EG on any health and safety incidents while at work for their staff and/or incidents involving grant recipients that have come to their attention and provide additional verified information pertaining the incident shortly afterwards, as EG may request from them. EG will promptly pass on such information to the World Bank.
37. EG will reflect the above responsibilities of Contractor Organizations in their terms of reference (ToR), making them contractually binding. Contracts will also include a commitment for compliance with the Project labor management procedures for their employees, as well as with the national Labor Code and labor safety legislation. To meet contractual obligations on environmental and social risk management, EG and Contractor Organizations will train their staff on the adequate application of the grant screening questionnaire, environmental and social oversight of beneficiary activities, grievance mechanism, monitoring and reporting requirements. EG and Contractor Organizations will integrate environmental and social aspects and requirements into any awareness-raising sessions conducted for the prospective beneficiaries. In cases where retroactive financing is being considered, EG or Contractor Organizations– in collaboration with MSME beneficiaries – will complete an additional E&S screening of the activity, as described above.

5.2 Environmental and Social Risk Management under Sub-Components 1.2 and 1.3

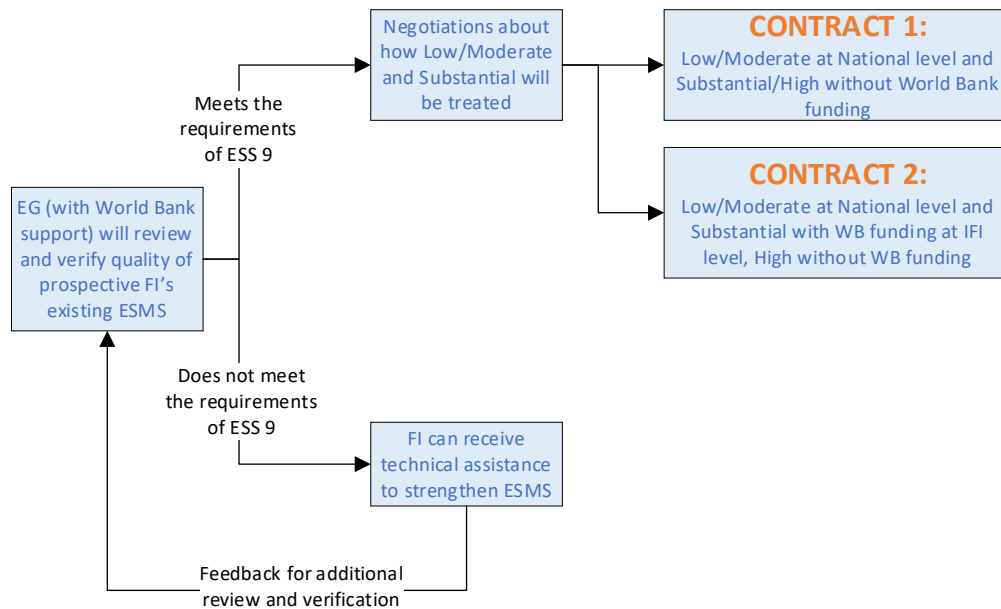
38. EG will provide co-financing of interest payments and partial credit guarantees via commercial banks, leasing companies and microfinance institutions. ESS9 of the World Bank is relevant for these sub-components. For the purposes of sub-components 1.2 and 1.3, EG is a Financial Intermediary (FI), while the banks, leasing companies and microfinance institutions are participating financial intermediaries (PFIs). All PFIs involved in MSME Project implementation are required to develop and adopt, or upgrade corporate ESMs, which include: (i) an environmental and social policy; (ii) clearly defined procedures for the identification, assessment and management of the environmental and social risks and impacts of sub-projects; (iii) organizational capacity and competency; monitoring and review of environmental and social risks of subprojects and the portfolio; and (iv) an external communications mechanism.

5.2.1 Prospective PFI Participation

39. The prospective PFI must have in place and maintain appropriate labor management procedures, including procedures relating to working conditions and terms of employment, nondiscrimination and

equal opportunity, grievance mechanisms and occupational health and safety. A member of the prospective PFI Senior Management must have overall accountability for E&S management. He/she should: designate a staff member(s) to be responsible for day-to-day implementation of the environmental and social procedures; ensure that adequate resources are available for management of and training in environmental and social issues; and ensure that adequate technical expertise, either in-house or external expert support, is available to carry out due diligence and manage the environmental and social risks of the subprojects.

Figure 4. Prospective PFI Application Process



40. EG will review and verify quality of ESMSs of the prospective PFIs prior to concluding contracts on channeling MSME Project proceeds through them, and will be responsible for ensuring that PFIs adhere to the adopted ESMSs throughout their participation in activities supported by sub-components 1.2 and 1.3. The World Bank will also review the PFIs' ESMSs to confirm their material consistency with the requirements of ESS9. Those commercial banks, leasing companies and microfinance institutions that do not have but are willing to develop ESMSs, will be offered technical assistance from the Project to develop and/or upgrade them and can then become eligible to use Project proceeds.

41. All PFIs under the Project will be required to have an ESMS acceptable to the World Bank. In accordance with ESS9, environmental and social risks for Low and Moderate risk sub-projects (Contract 1) may be managed in accordance with national legislation, whereas sub-projects rated as Substantial risk will follow the requirements of the World Bank ESF. If any PFI upgrades their current ESMS to meet the requirements of the World Bank for financing subprojects with Substantial risks, they could finance Substantial risk subprojects with the proceeds of the Project (Contract 2). This would need to be reflected in the contracts between EG and the PFIs.

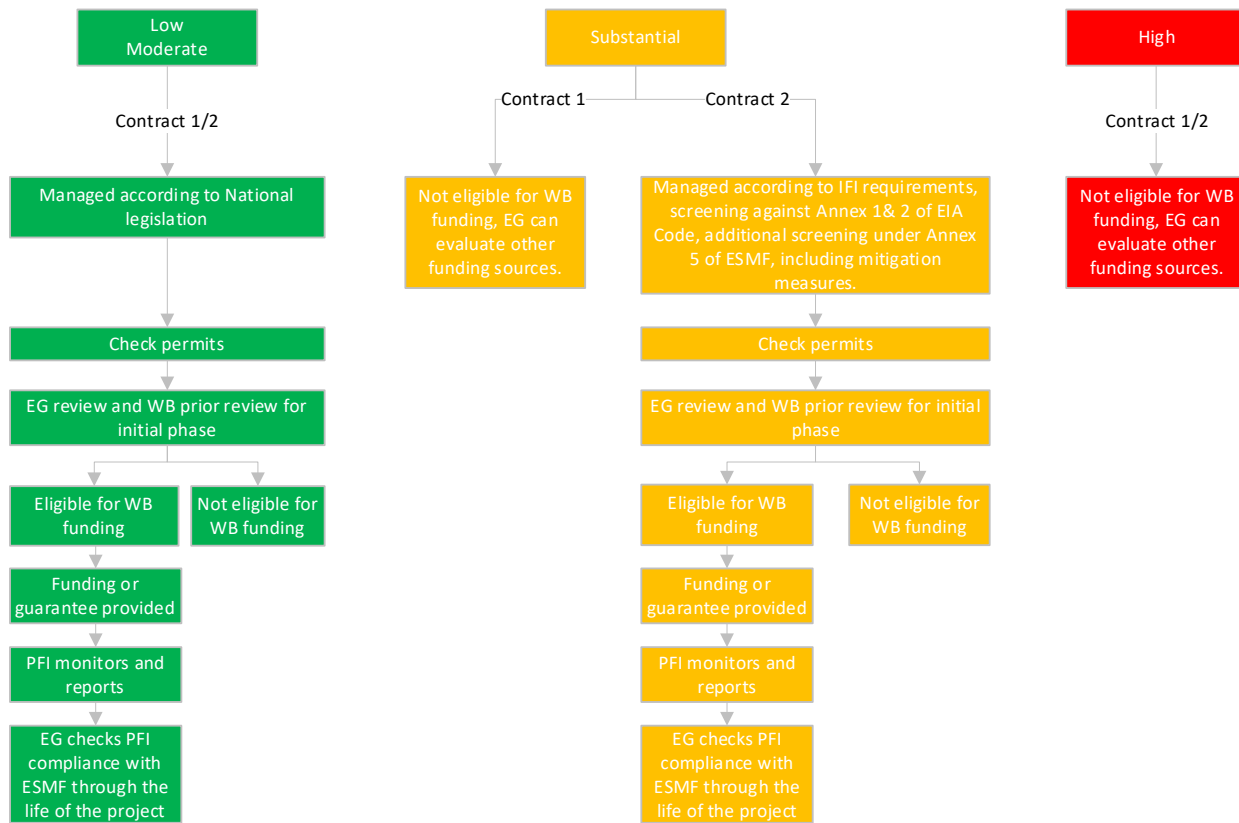
42. ESMSs enable PFIs to identify, assess, manage, and monitor the environmental and social risks and impacts of the financed subprojects on an ongoing basis. An ESMS comprises environmental and social procedures and institutional arrangements allowing the PFI to adequately manage environmental and social risks and impacts. The required procedures include:
- Screening, reviewing and categorizing all subprojects according to their environmental and social risks and potential impacts;
 - Ensuring that all subprojects are implemented in accordance with the relevant national environmental and social laws and regulations and the WBG Exclusion List;
 - Ensuring that subprojects that involve substantial risks or impacts on the environment, community health and safety, labor and working conditions, biodiversity or cultural heritage will apply requirements of relevant ESSs in addition to the national regulations;
 - Including the requirement of applying ESS requirements to subprojects carrying significant risks for environment, community health and safety, labor and working conditions, biodiversity and cultural heritage into the legal agreements concluded between a PFI and its borrower;
 - Overseeing environmental and social performance under the subprojects, identifying issues and working with the borrowers to address them, identifying possible changes in the risk level of subprojects and introducing any additional requirements which may be relevant in case of the risk level rise;
 - Keeping records of environmental and social oversight on the subproject portfolio and regularly submitting environmental and social due diligence reports to EG.

5.2.2 E&S Screening for Sub-component 1.2 and 1.3

43. Sub-projects under sub-components 1.2 and 1.3 will be screened by designated staff (environmental and social experts) in the respective PFI. Further, the E&S specialist in EG will conduct periodic monitoring and oversight, and review monitoring reports submitted by PFIs, to ensure that screening and risk management is being undertaken in line with the present ESMF and the Project's Environmental and Social Commitment Plan (ESCP). EG will submit semi-annual reports to the World Bank, including information on E&S performance. The World Bank will provide prior review of all subprojects up to six months after Effectiveness, at which time the Bank and EG will review the possibility of transitioning to post review for some, most, or all of the subprojects.
44. Subproject screening will start by filtering out any activities that appear on the Exclusion List of the World Bank Group. Subprojects implemented by enterprises which do not hold licenses/permits required for subproject activities by the national legislation or which have been sanctioned at any time in the past for violating environmental and social legislation of Georgia will be turned down as well. If, according to the Law of Georgia Code of Environmental Impact Assessment, a loan applicant requires a positive conclusion of the environmental expertise (environmental permit) but has not obtained it yet, he/she must provide evidence of the environmental impact assessment being underway or having been submitted to the MoEPA for its expert review in order to have the loan application conditionally approved. MSME Project proceeds may not be released to such a subproject until the positive conclusion of the environmental expertise (permit) is obtained, however, retroactive financing arrangement may be applied.

45. Activities that are listed in Annex I of the Law of Georgia on the Code of Environmental Impact Assessment (Annex 3 to this ESMF) *will be categorized as High-risk and are excluded from support under the Relief and Recovery for MSME Project.*
46. Activities listed in Annex II of the Law of Georgia on the Code of Environmental Impact Assessment (see Annex 4 to this ESMF) would most likely be considered as *Substantial risk and would be eligible for Project support provided that environmental and social risk management for these activities is undertaken in line with the World Bank ESF.* This would be reflected in the contract signed between EG and the PFI (Contract 2). The Code of Environmental Impact Assessment gives discretion of deciding whether these activities will require environmental impact assessment (EIA) and issuance of an environmental conclusion (permit) to MoEPA. If the EIA is required by the national law, it has to be undertaken and the environmental conclusion should be held by the borrower to be eligible for the Project support. Alternatively, the borrower should hold the environmental screening conclusion issued by the MoEPA, stating redundancy of the EIA on the basis of insignificant subproject-related risks and potential impacts. Activities not listed in either Annex I or Annex II of the national Code of Environmental Impact Assessment, do not require conducting of an EIA and issuance of any permit by MoEPA.
47. Activities not listed in Annexes I and II of the national code are likely to be Low or Moderate risk. This will be verified by the E&S expert of the PFI and World Bank prior review. It is expected that in the early stage of Project implementation, only Low and Moderate risk subprojects (Contract 1) will be supported by the Project while PFIs gather knowledge and expertise in applying the requirements of the World Bank ESF and therefore being able to fund Substantial risk activities under the Project. Applications of a higher risk level may be financed by EG from other sources of funding. *Following a review by EG and the World Bank of Project implementation within the first two years after Project Effectiveness and conditional upon enhancement of risk screening mechanism in EG's ESMS, the Project may finance subprojects with Substantial risks and impacts (Contract 2), so that the two contracts (Contract 1 and Contract 2) merge into a single contract eventually.*
48. ESMSs currently practiced by the majority of commercial banks include risk classification of loans by three categories – High, Moderate and Low. Some banks do not apply risk classification to loans below a certain amount. Also, it is common to have risk categories attached to various types of activities / branches of industry rather than to assess risks of individual loan applications. PFIs will continue using their ESMSs while screening and implementing Low and Moderate risk subprojects (as defined in this ESMF, paragraphs 45, 46, and 47), provided that the ESMSs meet other fundamental requirements of the World Bank, and the present ESMF is applied to filtering out Substantial risk operations (as defined in this ESMF). PFIs may need to upgrade their ESMSs to finance the riskier Substantial rated subprojects in accordance with the World Bank ESF requirements for risk screening and also agree to apply higher than national standards for managing environmental and social risks of their portfolios as laid out in Table 1 of this ESMF.

Figure 4. Flow chart for E&S requirements for PFI subprojects



49. PFIs eligible to use Project proceeds on the Substantial risk subprojects (Contract 2) will undertake initial screening of applications against Annexes I and II of the national EIA Code and apply further screening for particular types of risks using a checklist attached to the present ESMF (see Annex 5) in order to identify what kind of mitigation measures should be applied to them according to the ESF and the requirements of national legislation. Based on the analysis of gaps between ESF and the national environmental and social framework undertaken by the World Bank in 2020⁶, if a subproject is found to carry Substantial risks for environment, community health and safety, labor and working conditions, biodiversity or cultural heritage, then the need for additional information and measures for negative impact mitigation is likely to be the following:

- Developing and implementing an Environmental and Social Management Plan using the template provided in Annex 6 of this ESMF, based on the EIA report approved by the MoEPA (ESS1); ensuring that any civil works contractors and sub-contractors similarly adhere to the ESMP by adopting and implementing a Contractor’s ESMP;
- ESS2: Adopting and operating a GM for personnel; strictly enforcing occupational health and safety rules at work sites; strictly adhering to the established working hours, schedule of wage payments, working and resting hours, holidays and leave days for workers, overtime work

⁶ See <http://documents1.worldbank.org/curated/en/105031592550795667/pdf/Analysis-of-Gaps-between-National-Legislation-of-Georgia-and-World-Bank-Environmental-and-Social-Framework.pdf> for an analysis of the gaps between the National legislation of Georgia and the World Bank Environmental and Social Framework .

rules; where workers between 16-18 years old are employed in MSME operations, employers have to conduct a risk assessment to ensure that the work they are performing is not hazardous and does not interfere with education, physical or emotional development;

- ESS3: For subprojects with high water demand, developing, monitoring and reporting on the detailed water balance, and considering opportunities for the improvement of its efficiency; for projects with high emissions of greenhouse gases (GHG), estimating and monitoring GHG emissions, as technically and financially feasible⁷ (ESS3);
- ESS4: Strictly managing traffic in and from nearby settlements; considering and mitigating climate change impacts (extreme weather events and likely natural disasters) on the proposed infrastructure; considering and mitigating impacts on the provision of ecosystem services to communities; providing universal access to infrastructure (access for people with disabilities) as relevant; strictly controlling the use of security personnel at subproject sites (ESS4); developing and adhering to an environmental and social Code of Conduct (see Annex 6 for key elements of Code of Conduct) and ensuring that all contractors and sub-contractors similarly adopt and adhere to the Code of Conduct;
- Developing a procedure for reporting and investigation of any incidents involving project workers or communities, including producing a root cause analysis, and developing and implementing corrective measures to prevent such incidents in the future (ESS2; ESS4);
- ESS6: Categorizing habitats into transformed, natural and critical habitats; demonstrating how conditions are met for undertaking a World Bank-supported activity in a critical habitat if this is the case; assessing impacts on and applying mitigation measures for sustainable delivery of ecosystem services (ESS6);
- ESS8: Considering impacts on intangible cultural heritage (along with tangible assets) and on natural features of cultural significance; respecting the traditional use of cultural sites by local communities and retaining access to these sites; providing for the fair and equitable sharing of benefits from commercial use of such cultural heritage consistent with customs and traditions of the subproject affected parties (ESS8).

51. *PfIs will be required to monitor environmental and social performance of their borrowers proportionally to the level of risk of their subprojects, identify any unexpected circumstances which may increase risk of subprojects during their implementation, request borrowers to apply any additional mitigation measures as required by the increased risk of a subproject, keep records of environmental and social due diligence applied to the subproject portfolio management and report on the above to EG on regular basis.*

⁷ Methodological support may be sought from the MoEPA.

Table 2. Risk Rating and Contract Types

<i>Risk classification per ESMF versus contract</i>	Low/moderate	Substantial (most likely Annex II of EIA Code)	High (Annex I of EIA Code)
CONTRACT #1 PFIs have ESMS; no World Bank funding for Substantial/High Risk projects	<ul style="list-style-type: none"> • WBG Exclusion List • National E&S legislation applies • Permits and no prior sanctions required • Prior review by WB • Eligible for WB funding • PFI monitors and reports on E&S 	<ul style="list-style-type: none"> • Not eligible for WB funding • EG can evaluate loan proposal with alternative sources of funding 	<ul style="list-style-type: none"> • Not eligible for WB funding • EG can evaluate loan proposal with alternative sources of funding
CONTRACT #2 PFIs have ESMS; with World Bank funding for Substantial Risk projects	<ul style="list-style-type: none"> • WBG Exclusion List • National E&S legislation applies • Permits and no prior sanctions required • Prior review by WB • Eligible for WB funding • PFI monitors and reports on E&S 	<ul style="list-style-type: none"> • WBG Exclusion List • Screening against Annexes I and II of EIA Code • Additional screening under Annex 5 of ESMF • Prior review by WB • EIA and issuance of permit to MoEPA might be required • IFI E&S requirements apply • Mitigation measures required (according to ESF and national legislation) • Eligible for WB funding • PFI monitors and reports on E&S 	<ul style="list-style-type: none"> • Not eligible for WB funding • EG can evaluate loan proposal with alternative sources of funding

52. For the purposes of implementing subcomponents 1.2 and 1.3, EG acts as an FI and, according to ESS9, is required to adopt its own ESMS. Institutional arrangements under the ESMS will be similar to those required from PFIs: EG should have a representative of Senior Management in charge of the application of environmental and social due diligence for the implementation of Component 1 of Relief and Recovery for MSME Project. This representative will be responsible for hiring and maintaining at least one Environmental Specialist and one Social Specialist in EG, adequacy of competencies of these staff/consultants and quality of their performance (see sample ToRs for environmental, social and community liaison specialists in Annex 7 of this ESMF). The ESMS to be adopted by EG will be part of the POM.

53. Management of environmental and social risks under subcomponent 1.1 will include quality assurance of the Contractor Organizations environmental and social management of their subprojects: sufficiency and relevance of information obtained on grant applicants and their intended activities; quality of completed environmental and social screening questionnaires; adequacy of

decisions made on environmental and social eligibility of applicants for grant financing. Environmental and social specialists of EG will also be responsible to ensure that ToRs developed for Contractor Organizations adequately include the above responsibilities for environmental and social due diligence and that contracts signed with Contractor Organizations carry explicitly binding requirement to follow through such ToRs.

54. Management of environmental and social risks under sub-components 1.2 and 1.3 will require EG to ensure that all PFIs have adequate ESMSs covering environmental and social procedures and institutional arrangements to undertake these procedures. EG will undertake bi-annual checks to confirm that PFIs continue to apply the adopted ESMSs for handling Project-supported activities. ***EG will ensure that requirements to apply due environmental and social diligence to subproject portfolio management described in this ESMF is formally included into the contracts concluded between EG and PFIs, and that remedial actions are also part of these contracts, enabling EG to enforce compliance of PFIs with these requirements.*** Twice a year, EG will require each PFI to share environmental and social due diligence reports for the five largest subprojects (in terms of credit amount) approved in a given report period. If a significant environmental and/or social issue is encountered in a subproject and is reported by PFI to EG, the latter will work with the PFI towards application of corrective actions. EG may approach the MoEPA or other national institutions as applicable, e.g., Labor Inspection Department of MoLHSA, for methodologic/technical support and guidance. If the environmental and social issue cannot be resolved to meet the project's environmental and social requirements, EG may suspend financing to fund recipients.
55. PFIs will be contractually obligated to immediately (within 48 hours) report to EG on any health and safety incidents while at work for their staff and/or incidents involving their creditors that have come to their attention and to provide additional verified information pertaining the incident shortly afterwards, as EG may request from them. EG will promptly pass on such information to the World Bank.

6 Labor and Working Conditions

56. The Project will involve direct workers – staff employed by EG and NBG – and contracted workers – consultants providing technical advisory services. Personnel of MoESD providing technical leadership for Sub-components 2.1 and 2.2 will be considered as civil servants. The Project will not utilize community workers.
57. Labor rights and occupational health and safety in Georgia are undergoing reforms aimed at strengthening the legislation, as well as the mandate and capacity for enforcement under the Labor Inspectorate. These reforms are expected to strengthen the national Law on the Labor Code, Law on Labor Safety, and Law on Labor Inspection (currently in draft form). At present, the national Labor Code includes provisions on non-discrimination, freedom of association, the minimum employment age, operational health and safety (OHS) and dispute resolution. However, the enforcement of workers' rights under the Labor Code is currently weak. As of March 2018, Georgia has introduced some mechanisms for OHS inspection; yet, for other aspects of labor and working conditions, no such mechanisms exist.

Direct and Contracted Workers

58. Direct and contracted workers under the project include the staff and consultants of EG, staff and consultants of Contractor Organizations and PFIs involved in the implementation of Component 1, staff and consultants at NBG and MoESD involved in the implementation of Component 2, as well as any other consultants employed by the above agencies for the purposes of Project implementation.
59. As state agencies, EG and NBG have internal human resource policies that conform to the national law. Employees of MoESD are civil servants. Under the Project, EG will strengthen selected aspects of their human resource policies to be materially consistent with ESS 2, such as develop a clear grievance mechanism for its employees and introduce the requirement for signing of Code of Conduct. A generic example of workers' grievance mechanism is available in Annex 8 of this ESMF.
60. Contractor Organizations, as per terms to be included in their ToRs and contracts, will commit to adhering to national labor legislation (Labor Code, Labor Safety Law) and maintaining a functioning grievance mechanism for their employees.
61. Similarly, any PFIs associated with the Project will commit to maintaining and implementing human resource (HR) policies and procedures consistent with requirements under national law, introduce or maintain (if already existing) a functioning grievance mechanism for their employees, and ensure that Project workers are informed of and have access to these policies and to the grievance mechanism.
62. All employee grievance mechanisms available to Project direct and contracted workers will include provisions for safe and confidential receipt, referral, and redressal of sexual exploitation and abuse (SEA) and sexual harassment (SH) complaints (see example in Annex 8).

Employees of Beneficiary MSMEs

63. Due diligence on the labor and working conditions within the operations of project beneficiaries (MSMEs) will be integrated into the due diligence process of PFIs to be detailed in their corporate ESMS.
64. For Low- and Moderate-risk activities, due diligence will follow national legislation requirements. Sub-borrower agreements to be signed by beneficiary MSMEs will include a commitment to adhere to all applicable national laws with regard to labor terms and conditions and occupational, health, and safety and to take corrective measures if any non-compliance with national law is identified within their operations.
65. For Substantial-risk activities additional requirements consistent with national legislation and ESS2 may be introduced to the commitments of the beneficiary MSME depending on the type of operations and industry-specific risks. At a minimum, Substantial-risk operations will include the following requirements:
 - Developing, implementing and monitoring labor management procedures (LMP), including an OHS plan. The labor management procedures will include: provisions on the terms of conditions of labor; hiring and firing procedures; non-discrimination; prohibition of SEA/SH in the work place;

adoption of a Code of Conduct by the company and all employees; risk assessment for employees under 18 or prohibition of employment for workers under 18 if hazardous; and terms and limitations on overtime work, among others;

- Causing all contractors and sub-contractors to adopt labor management procedures consistent with the MSME LMP for their operations;
- Ensuring availability of a grievance mechanism, sensitized for SEA/SH complaints, for all employees;
- Ensuring presence of a qualified OHS specialist on site; and
- Committing to regular monitoring and reporting of labor, working conditions, and OHS of the company's operations.

66. Environmental and Social Due Diligence (ESDD) reports to be produced by PFIs will include dedicated sections on labor and working conditions, including the topics listed above, to be covered in a manner proportionate to the risk of the operation. For Substantial risk operations, separate monitoring forms will be developed for labor and working conditions and compliance with OHS. These will follow good international industry practice (GIIP) specific to the sector of work.⁸

7 Stakeholder Engagement and Grievance Mechanism

67. EG has prepared a Stakeholder Engagement Plan (SEP) in accordance with the World Bank requirements. The objective of the SEP is to effectively engage with all stakeholders who have an interest in or may be affected by the project. The SEP outlines the target groups and methods of stakeholder engagement and the responsibilities in the implementation of stakeholder engagement activities. The intention of the SEP is to activate the engagement of stakeholders in a timely manner during project preparation and implementation.

68. The SEP identifies the list of project stakeholders including individuals, enterprises, groups or other entities who: (i) are impacted or likely to be impacted directly or indirectly, positively or adversely, by the Project (also known as 'affected parties'); and (ii) may have an interest in the Project ('other interested parties'). They include individuals or groups whose interests may be affected by the Project and who have the potential to influence the Project outcomes in any way.

69. The SEP identifies potentially vulnerable and disadvantaged stakeholders and describes the differentiated measures that the project will undertake to ensure their equitable participation and opportunity to benefit from the Project. Such measures include, among others, household-outreach through short message service (SMS), telephone calls, social media etc., depending on the social distancing requirements (in terms of the COVID-19 pandemic), in local languages including ethnic minority languages in communities with high concentration of minority groups; ensuring that meetings, consultations, workshops or trainings are conducted in convenient and accessible locations and in buildings accessible to persons with disability; ensuring that outreach and consultation activities are age- and gender-balanced and/or conducting tailored outreach if women and youth-led

⁸ See IFC Environmental, Health and Safety Guidelines: https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/ehs-guidelines

businesses or entrepreneurs belonging to a potentially disadvantaged group are underrepresented; including in information dissemination plans and engagement with civil society groups such as women's associations, associations for persons with disabilities, minority groups, etc., as relevant in the particular region.

70. The SEP outlines the GM for the Project. The GM provides for multiple channels for citizens to submit feedback or grievances either in writing via through telephone hotline/mobile, mail, social media (Facebook etc.), email, website, via a contractor organization, and directly to the EG. A designated focal point within EG will be responsible for the overall management, information dissemination, and reporting on the functioning of the GM. For sub-component 1.1 EG or Contractor Organizations will have a role in the administration of the GM in their respective regions.
71. PFIs will develop and implementing an External Communication Mechanism (ECM) as part of their corporate ESMSs. The ECM will enable beneficiaries as well as those who believe they are adversely impacted by the grant or financing of beneficiaries' activities to submit complaints, feedback, inquiries, and suggestions such as violation of Project policies, guidelines, or procedures, including those related to child labor, health and safety of workers, workplace harassment. The ECM will also allow submission of anonymous grievances. The details of the ECM will also be presented in the POM.

8 Monitoring and Reporting

72. EG will report to the World Bank semi-annually on the environmental and social performance under the Project. Reporting will include quantitative information and analysis of environmental and social due diligence applied by EG and Contractor Organizations under sub-component 1.1 and by PFIs under sub-components 1.2 and 1.3. The reports will include information on the number of micro-grant applications and subprojects screened and reviewed by each Contractor Organizations /PFI, risk categorization of these applications/subprojects, status of adherence to the project ESMS, including on the environmental and social performance of PFIs. The templates for regular semi-annual reports and any ad-hoc notifications (on accidents, etc.) will be detailed in the POM (See Annex 9 for basic guidance). The World Bank will provide prior review of all subprojects up to six months after Effectiveness, at which time the Bank and EG will review the possibility of transitioning to post review for some, most, or all of the subprojects. The details of prior and post review will be described in the POM. Oversight on the environmental and social performance of under sub-components 1.1, 1.2 and 1.3 will be part of the World Bank's support to the Project implementation.

Annex 1. Exclusion List of the World Bank Group

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES.
- Production or trade in adult entertainment.
- Production or trade in weapons and munitions.¹
- Production or trade in alcoholic beverages (excluding beer and wine).¹
- Production or trade in tobacco.¹
- Gambling, casinos and equivalent enterprises.¹
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where the World Bank considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
- Production or activities involving harmful or exploitative forms of forced labor²/harmful child labor.³
- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products.
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.
- Transboundary trade in waste or waste products, except for nonhazardous waste destined for recycling;
- Persistent organic pollutants (POPs);
- Noncompliance with workers' fundamental principles and rights at work;
- Significant degradation of a national park or similar protected area; and
- Real estate speculation.

Footnotes to WBG Exclusion List

¹ This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.

² Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

³ Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

Annex 2. E&S Risk Screening Form for Micro-Grant Program (Sub-Component 1.1)

Name of the M/SE:			
Tax number of the M/SE:		Business identification code:	
Legal Representative:			
Address:			
E-mail address:		Telephone number:	
Purpose of grant:			
Assessment undertaken by:		Date:	

I hereby declare that:		Yes	No	Unsure	Comments
1.	The activities carried out by my micro or small business aren't included in the World Bank Group (WBG) Financing Exclusion List;				
2.	I have not been fined or otherwise sanctioned in the course of an activity for violating environmental, community and/or occupational health and safety, and/or labor laws/regulations;				
3.	I am able to present evidence that I hold all permits/licenses required for the performed activity by the national legislation, and I'm the legal owner of all land premises on which financed activities take place;				
4.	The proposed activity does not lead to economic or physical displacement of people due to land acquisition;				
5.	The proposed activity implemented isn't located in a nationally and/or internationally designated protected area, or in the territory of a designated cultural monument or plot bordering the territory of a cultural monument.				

COMMENTS:

If responses to at least one of the questions is "No", the application is ineligible for grant funding.

If responses to questions 1-5 are "Yes" and/or "Unsure", the applicant is considered for subsequent stages of selection.

CONCLUSION:	Environmental and social screening	PASSED		FAILED	
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WBG Financing Exclusion List

Those activities that are illegal under country laws, regulations, or ratified international conventions and agreements, Weapons and munitions, Adult entertainment, Alcoholic beverages (excluding wine and beer), Tobacco, Gambling, casinos, and equivalent enterprises, Wildlife or wildlife products regulated under Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), Radioactive materials or unbounded asbestos fibers, Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forest, Polychlorinated biphenyl compounds (PCBs, a class of synthetic organic chemicals), Pharmaceuticals subject to international phaseouts or bans, Pesticides/herbicides subject to international phaseouts or bans, Ozone depleting substances subject to international phaseout, Drift net fishing in the marine environment using nets in excess of 2.5 km in length, Transboundary trade in waste or waste products, except for nonhazardous waste destined for recycling, Persistent organic pollutants (POPs), Noncompliance with workers' fundamental principles and rights at work, Significant degradation of a national park or similar protected area, Real estate speculation.

Annex 3. “Annex I” of the Law of Georgia on the Environmental Impact Assessment Code

The following activities listed in Annex I of the Law of Georgia on the Environmental Assessment Code will be ineligible for financing under the Project.

1. Energy:

1.1. Refining of crude oil (except for lubricants);

1.2. Liquefaction/gasification of 500 tonnes or more of coal or bituminous shale per day.

2. Construction and operation of thermal power stations and other combustion installations with a heat output of 10 megawatts or more.

3. Allocation of nuclear power stations or other nuclear reactors, including the dismantling or decommissioning of such power stations or reactors, except for research installations for the production and conversion of fissionable and fertile materials, whose maximum power does not exceed 1 kilo watt of continuous thermal load.

4. Installations designed for the following activities:

4.1. the production and/or enrichment of nuclear fuel;

4.2. the processing of irradiated nuclear fuel or high-level radioactive waste;

4.3. the final disposal of irradiated nuclear fuel;

4.4. the storage of irradiated nuclear fuel or radioactive waste outside the production site if it is planned to store them for more than 3 years;

4.5. the final disposal of radioactive waste.

5. Production of cast iron, steel and/or ferroalloy, including primary and/or secondary smelting.

6. Production of non-ferrous crude metals from ore, concentrates or secondary raw materials by metallurgical, chemical or electrochemical processes, except for jewelry.

7. Extraction of asbestos, processing and/or transformation of asbestos or products containing asbestos: an annual production of more than 20 000 tons of asbestos- cement products; an annual production of more than 50 tons of friction materials; for other uses of asbestos, utilization of more than 200 tons of asbestos per year.

8. Chemical industry:

8.1. Production of basic organic compounds;

8.2. Production of basic inorganic compounds;

8.3. Production of phosphorous-, nitrogen- and/or potassium-based fertilisers (simple or compound fertilisers);

8.4. Production of plant health products and/or biocides;

8.5. Production of pharmaceutical products using a chemical and/or biological process;

8.6. Production of explosives.

9. Construction and operation of main-line overground and/or underground railway.

10. Construction and operation of airports with a basic runway length 1600 m or more.

11. Construction of motor roads of international or intrastate significance.

12. Reconstruction and/or modernisation of motor roads the entire section of which is 5 km or more in length.

13. Construction of tunnels and/or bridges located on the motor roads of international or intrastate significance.
 14. Construction of inland waterways or ports which permit the passage of vessels with load capacity of more than 1350 tons.
 15. Construction and operation of seaports and loading and unloading piers connected to land and other ports (except for ferry piers) which can take vessels of over 1350 tons.
 16. Disposal, incineration and/or chemical treatment of hazardous waste.
 17. Disposal, incineration and/or chemical treatment of more than 100 tons of non-hazardous waste per day.
- Carrying out of works related to groundwater abstraction or artificial groundwater recharge where the annual volume of water to be abstracted or recharged is 10 million cubic meters or more.
19. Transfer of water resources between river basins (except for the transfer of drinking water through pipelines):
 - 19.1. Where the transfer of water resources aims at preventing shortages of water and where the amount of water transferred exceeds 20 million cubic meters per year;
 - 19.2. In all the other cases, where the multi-annual average flow from the basin of abstraction exceeds 2000 million cubic meters per year and where the amount of water transferred exceeds 5% of that flow.
 20. Construction of urban waste-water treatment plants for the population of 50 000 people or more, with a respective capacity.
 21. Construction and operation of dams and/or other structures designed for the holding back or permanent storage of water and where the amount of water held back or stored exceeds 50 000 cubic meters.
 22. Construction and/or operation of hydroelectric stations with a capacity of 5 megawatts or more.
23. Construction and operation of pipelines with a diameter of 800 mm or more and a length of more than 40 km for the transport of oil, gas or chemical compounds, as well as the transport of carbon dioxide (CO₂) for the purposes of geological storage.
 24. Poultry farms (with more than 85 000 places for broilers and/or more than 60 000 places for hens) and/or pig farms (with more than 10 000 places for piglets (under 30 kg) and/or more than 6000 places for pigs (over 30 kg)).
 25. Production of pulp from timber or similar fibrous materials and the production of over 200 tons of paper and/or cardboard per day.
 26. Quarries and open-cast mining where the surface of the mining site exceeds 25 hectares.
 27. Peat extraction where the surface of the site exceeds 150 hectares.
 28. Construction of overhead and/or underground electrical power lines with a voltage of 220 kV or more and a length of more than 15 km.
 29. Construction and operation of installations for the storage of fossil fuel and/or chemical products with a capacity of 1,000 cubic meters or more.
 30. Geological storage of carbon dioxide (CO₂).
 31. Capture of 1.5 megatons or more of carbon dioxide (CO₂) per year.

Annex 4. “Annex II” of the Law of Georgia on the Environmental Impact Assessment Code

1. Agriculture, silviculture and aquaculture: 1.1. Use of 10 hectares or more of agricultural land for non-agricultural purposes; 1.2. Use of 10 hectares or more of uncultivated land for agricultural purposes; 1.3. Construction and operation of melioration systems; 1.4. Afforestation in an area of 500 hectares or more and/or deforestation in an area of 50 hectares or more of forest for the purposes of conversion to another category of land and for the purposes of use; 1.5. Construction of stalls for 500 and more heads of livestock; 1.6. Arrangement of fish farms with a capacity of more than 40 tonnes per year; 1.7. Reclamation of land from the sea (creation of artificial islands, peninsulas, etc.)
2. Extractive industry and drilling works:
 - 2.1. Quarries, open-cast mining and peat extraction (except for sand-gravel) where the surface of the site is more than 10 hectares;
 - 2.2. Underground mining of minerals (including the extraction of underground fresh water for entrepreneurial purposes) where the amount of resources mined/extracted exceeds 100 000 cubic metres (except for the extraction of oil and natural gas or for the personal use of underground water) per year;
 - 2.3. Extraction of minerals from the sea;
 - 2.4. Drilling for the extraction of thermal waters;
 - 2.5. Drilling for the storage of radioactive waste;
 - 2.6. Drilling for the extraction of coal, ore or bituminous shale using surface industrial installations.
3. Energy industry:
 - 3.1. Combustion installations for the production of electricity with a capacity of 2 megawatts or more;
 - 3.2. Industrial installations for the production of steam and hot water (except for the steam and hot water installations related to oil and gas operations) where the area of development exceeds 0.5 hectares and their production capacity exceeds 50 megawatts;
 - 3.3. Laying of pipelines with a length of 5 km or more for carrying gas, steam and hot water;
 - 3.4. Construction of overhead and/or underground electrical power lines with a voltage of 35 kV or more, and construction of electrical substations with a voltage of 110 kV or more;
 - 3.5. Construction and operation of installations for the surface and/or underground storage of fossil fuel, liquid and/or natural gas with a capacity of 100 cubic meters or more;
 - 3.6. Briquetting of coal and/or lignite;
 - 3.7. Processing and/or storage of radioactive waste;
 - 3.8. Construction and/or operation of hydroelectric stations with a capacity from 2 to 5 megawatts;
 - 3.9. Installations for energy production using the power of wind and/or sea waves.
4. Production and processing of metals:
 - 4.1. Fusion of pig iron or steel for manufacturing products;
 - 4.2. Processing of ferrous metals: hot-rolling, smitheries with hammers, application of protective metal coats, with a capacity of 50 tons or more per year;
 - 4.3. Smelting of non-ferrous metals (except for precious metals), with capacity of 20 tons or more per year;
 - 4.4. Surface treatment of metals and/or plastic materials, using an electrolytic or chemical process, in a tank with a capacity of 10 cubic meters or more;
 - 4.5. Motor vehicle industry (assembly of motorised vehicles) and manufacture of motor-vehicle engines;
 - 4.6. Shipbuilding;
 - 4.7. Aircraft construction;

- 4.8. Swaging by explosives;
- 4.9. Roasting and sintering of metallic ores.
- 5. Processing of mineral raw materials:
 - 5.1. Processing of minerals;
 - 5.2. Coking of coal;
 - 5.3. Production of asphalt;
 - 5.4. Manufacture of cement, lime, plaster and/or gypsum;
 - 5.5. Production of asbestos and/or asbestos products;
 - 5.6. Manufacture of glass and/or glass products (including glass fibre);
 - 5.7. Manufacture of ceramic clay (except for traditional household production), manufacture of ceramic products (in particular roofing tiles, bricks, refractory bricks, tiles or porcelain).
- 6. Chemical industry:
 - 6.1. Productions of chemicals by chemical treatment of intermediate products;
 - 6.2. Production of pharmaceutical products, paint, varnishes, peroxides, elastomers and/or plastic materials;
 - 6.3. Construction and operation of storage facilities for oil and oil products, petrochemical and/or chemical products.
- 7. Food industry:
 - 7.1. Manufacture of 25 000 tonnes or more of vegetable and/or animal oils and fats per year;
 - 7.2. Canning of animal and/or vegetable products aiming at producing 25 000 tons or more of products per year;
 - 7.3. Production of more than 20 tons of dairy products per day;
 - 7.4. Production of more than 100 tons of beer and malt per day;
 - 7.5. Production of more than 3 tons of confectionery per day;
 - 7.6. Construction and operation of installations for the slaughter of animals where 30 or more animals are slaughtered per day;
 - 7.7. Industrial production of 5 000 tons or more of starch per year;
 - 7.8. Processing of more than 5 000 tons of fish per year;
 - 7.9. Production of 25 tons or more of sugar per day.
- 8. Textile, leather and paper industries:
 - 8.1. Production of 10 tonnes or more of paper and/or cardboard per day;
 - 8.2. Pre-treatment (washing, bleaching, mercerization) and/or dyeing of more than 1 ton of textile and/or textile fiber per day;
 - 8.3. Tanning/processing of leather;
 - 8.4. Processing of cellulose.
- 9. Infrastructure projects:
 - 9.1. Development of industrial estates in an area of more than 10 hectares;
 - 9.2. Urban development projects with a development area of more than 10 hectares (including the construction of shopping centers and car parks for 1 000 cars);
 - 9.3. Construction and operation of intermodal terminals and railways connected to them;
 - 9.4. Construction of airfields;
 - 9.5. Construction of sea harbours and related buildings whose development area based on the project is more than 1 hectare;
 - 9.6. Construction of sewerage systems with a length of 2 km or more, and the construction of sewerage systems with a development area of 5 hectares or more;
 - 9.7. Construction of inland waterways;

- 9.8. Flood-relief works;
- 9.9. Construction of dams and/or other structures/installations designed to hold water or store it on a long-term basis where the amount of water held or stored is more than 10 000 cubic meters;
- 9.10. Construction of tramways and/or ropeways use for transporting passengers;
- 9.11. Laying of pipelines with a length of more than 5 km for transporting oil, gas or carbon dioxide (CO₂);
- 9.12. Construction of aqueducts with a length of 5 km or more on the area of 1 hectare or more;
- 9.13. Works to protect coasts, to combat erosion of coastlines and to restore coastlines, as well as maritime works capable of altering the coast through construction in particular, the construction of dykes, moles, jetties and other sea defence works, except for the reconstruction of such works).

- 10. Other projects:
 - 10.1. Construction of permanent racing and test tracks for vehicles in the territory with an area of 15 hectares or more;
 - 10.2. Disposal of waste;
 - 10.3. Recovery of waste, except for the pre-treatment of non-hazardous waste;
 - 10.4. Pre-treatment of hazardous waste;
 - 10.5. Construction of temporary storage facilities for 10 tonnes or more of hazardous waste;
 - 10.6. Construction and operation of waste-water treatment plants;
 - 10.7. Arrangement and operation of sludge-deposition sites;
 - 10.8. Recovery or destruction of explosive substances.

- 11. Tourism and leisure:
 - 11.1. Arrangement of mountain ski runs and/or ropeways in the area of 5 hectares or more;
 - 11.2. Construction of holiday villages (including hotels and associated developments) in the area of more than 10 hectares outside urban areas;
 - 11.3. Construction of permanent campsites and/or caravan sites in the area of 5 hectares or more;
 - 11.4. Development of amusement parks (including theme parks) in the area of 10 hectares and more.

Annex 5. Sample E&S Risk Screening Form for PFI Subprojects (Sub-components 1.2 and 1.3)

Project Name:		Location:			
Address:		Contact Person and Telephone:			
Industry:		Activity:		Facility Amount and Type:	
Type of project (tick x):	New x	Extension	Existing	E&S Category: Medium	
Date of Site Visit: 15.01.2019		Prepared/Updated by: Position:			
Brief Project Description: Loan purpose: Hotel construction, renovation and purchase of long-term assets. The hotel located in Tbilisi and consists of 40 rooms.					
Exclusion List activities (Y/N): No					
Sector Specific E&S Issues (please specify): Potential risks related to the project are issues regarding: <ul style="list-style-type: none"> • Workplace Health & Safety (High) • Ecosystems / Site Contamination (Medium) • Emissions to Air (Medium) • Waste (Medium) 					
Instructions: <ul style="list-style-type: none"> • Please provide as much information as possible in the 'additional information' section to support the responses provided • Please provide a summary of the key issues after completing the questionnaire and include a categorization for the project • Please include an action plan if required • For sector-specific information on E&S risks, please refer to the First for Sustainability Factsheets and the IFC EHS Guidelines: <ul style="list-style-type: none"> ○ http://firstforsustainability.org/risk-management/understanding-environmental-and-social-risk/risk-by-industry-sector/ ○ www.ifc.org/ehsguidelines 					
Assessment with applicable E&S Requirements					
	Question/ risk	Yes	No	N/A	ADDITIONAL INFORMATION (Please provide additional information to support all responses)

1. Risks related to site location			✓		
1.1	Will the project/ business operations be located within or near the protected zones, or zones for which the government is considering an official protected status?				
1.2	Will the project/ business operations be a potential danger for the areas important for the local, regional or national cultural heritage? (During public consultations, local citizens should be required to render information on locations or structures on the official lists considered important which should be protected)				
1.3	Will all activities of the business operation occur on territory owned by the business i.e. their footprint will not pose any involuntary adverse impacts on the land, residence, assets, or livelihoods or affected persons (formal owners or informal users) as per evidence presented by the business and site screening?				
1.4	Is information on the business activity publicly available and have any local citizen, CSO or a NGO expressed their concern or position against the project/ business operations because of prior or possible future environmental or social impacts of the business operation?				
1.5	Is there any other aspect of a project/ business operations that could create a risk or could be considered as disturbance to local communities during ordinary operations or in special circumstances?				
2. Environmental Regulatory Compliance and Liability					
2.1	Are there any legal issues associated with the client's E&S performance?		✓		
2.2	In the Company in possession of all required HSE permits and approvals (please attach copies)			✓	No special permits are needed, except building permission.
2.3	Has the Company paid excess charges or fines/penalties for non-compliance with HSE regulations and standards in the last two years? (please attach copies of most recent inspection report)		✓		
2.4	Is the Company exposed to potentially significant HSE liabilities, such as those arising from land / groundwater contamination, related to the Company's past or ongoing operations? If yes, specify magnitude		✓		

2.4	Has the Company had any significant accidents or incidents in the last two years (e.g. oil spills, fires) involving deaths or multiple serious injuries and/or significant environmental damage?		✓		
3. Management systems					
	<p>Check the issues related to management system and once any of item below is selected, please specify a corrective action or explain why it is not needed:</p> <ul style="list-style-type: none"> <input type="checkbox"/> No written environmental and social policy <input type="checkbox"/> No written human resources policy (e.g., employee rights/non- discrimination) <input type="checkbox"/> No written fire/safety plan or emergency prevention/preparedness /response plan <input type="checkbox"/> No environmental, health and safety training for employees <input type="checkbox"/> No procedures for managing environmental and social risks <input type="checkbox"/> No designated person in charge of environmental and social issues <input type="checkbox"/> No internal process for sharing information 				<p>Construction works are performed by several contractors - construction companies, hired by the customer.</p> <p>These companies haven't written policies, but they observe relevant provisions required by local legislation. The contractors are responsible for safety.</p> <p>After the hotel construction is completed, the hotel administration will prepare all necessary documents and measures prescribed by the law / relevant technical regulations.</p>
4. Environmental issues					
4.1	<p>Check issues related to air emissions and once any of item below is selected please specify a corrective action or explain why it is not needed:</p> <ul style="list-style-type: none"> <input type="checkbox"/> No valid permit for air emissions <input type="checkbox"/> Smoke / exhaust gas is being produced and emitted with no use of proper filter <input type="checkbox"/> Air emissions are not monitored 		<p>✓ ✓ ✓</p>		<p>The dust emission caused by the construction as well as air pollution from the use of machinery are potential risk factors, which are managed by construction companies.</p>
4.2	<p>Check issues related to wastewater effluents and once any of item below is selected please specify a corrective action or explain why it is not needed:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Wastewater / liquids are being released / discharged to water (stream/pond/lake) or on terrain <input type="checkbox"/> There are penalties from regulatory authorities for exceedance of established limits for wastewater discharge <input type="checkbox"/> No wastewater treatment facilities or they operate improperly <input type="checkbox"/> Leakages, disposals, liquid waste or wastewater drains to stream/river/pond/soil 		✓		

4.3	<p>Check issues related to waste management and once selected please specify a corrective action or explain why not needed:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Inappropriate storage / handling of hazardous wastes (evidence: scrap littering, linkages of liquid wastes, smell, no designated areas for waste storage and etc.) <input type="checkbox"/> No contracts for hazardous, toxic and other wastes transfer / disposal (landfill, private collector, municipality) <input type="checkbox"/> No person responsible for waste management <input type="checkbox"/> There is evidence of land pollution and lack of waste handling mechanism 		✓		<p>Waste management is performed in line with technical requirements related to construction waste.</p>
5.	Safety issues				
	<p>Check if adequate fire protection is in place (serviced fire extinguishers, hydrants with hoses, signs for fire equipment and safety practice, smoke/heat sensors, alarm system connected to these sensors, fire exits well marked and convenient?). If no, specify a corrective action.</p>				<p>Work is performed by several contractor companies which have the responsibility to create safe working environment for their workers. They are responsible for special precautions and equipment. After the construction works are completed, the hotel administration will be responsible for safety of the Hotel.</p>
6.	Labor issues				
	<p>Does the company have a Human Resource (HR) Policy and procedures that is consistent with the requirements of the national labor laws? Please highlight the major policies covered.</p>				<p>No written policy/procedures in place. Activities are performed in compliance with local legal requirements.</p>
	<p>Check the labor issues and once any of item below is selected please specify a corrective action or explain why not needed:</p> <ul style="list-style-type: none"> <input type="checkbox"/> No Personal Protective Equipment provided (e.g., safety goggle/hard hat/protective glove) <input type="checkbox"/> Inadequate employee health and safety measures (e.g., fall prevention/ventilation) <input type="checkbox"/> Inadequate working conditions (e.g., air quality/lighting/confined spaces/on-site hygiene) <input type="checkbox"/> Inadequate terms of employment (e.g., working hours/rest breaks/time off/overtime pay) <input type="checkbox"/> Unequal employment opportunities (e.g., discrimination against gender/ethnic group/age) <input type="checkbox"/> Payment below minimum wage <input type="checkbox"/> Employees below minimum age <input type="checkbox"/> Child or forced labor <input type="checkbox"/> No process for employees to voice complaints <input type="checkbox"/> No recognition of employee organizations/labor unions 		<p>✓ ✓ ✓ ✓ ✓ ✓</p>		<p>As mentioned, work is performed by several contractor companies which have the responsibility to create safe working environment for their workers. They are responsible for special precautions and equipment. After the construction works are completed, the hotel administration will be responsible for safety of the Hotel.</p>

7.	Social issues																
	<input type="checkbox"/> Land acquisition required <input type="checkbox"/> Displacement/resettlement of local communities <input type="checkbox"/> Impact on local settlements/livelihood <input type="checkbox"/> Impact on indigenous peoples <input type="checkbox"/> Complaints from neighbors/communities <input type="checkbox"/> On or adjacent to site of cultural/archaeological importance		✓	✓ ✓ ✓ ✓													
SUMMARY OF E&S ISSUES <i>(Please provide a summary addressing the management of the main E&S issues associated with the client's business)</i>																	
<p>Contractor companies hired by customer are responsible for special precautions and equipment, safe working environment. Overall E&S risk is medium because of construction specific, but there are no complex issues to deal with.</p> <p>After the construction works are completed, the hotel administration will be responsible for E&S issues of the Hotel. The fire protection system will be arranged in compliance with local requirements. Progress should be checked while monitoring.</p> <p>E&S Action Plan</p> <table border="1"> <thead> <tr> <th>Issue Identified</th> <th>Action Required</th> <th>Completion Date</th> </tr> </thead> <tbody> <tr> <td>e.g No contracts for Hazardous waste management</td> <td>Appoint accredited waste management company to manage the hazardous waste generated from the product site</td> <td>Prior to disbursement</td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>Progress as well as E&S related issues should be monitored while site visits.</p>						Issue Identified	Action Required	Completion Date	e.g No contracts for Hazardous waste management	Appoint accredited waste management company to manage the hazardous waste generated from the product site	Prior to disbursement						
Issue Identified	Action Required	Completion Date															
e.g No contracts for Hazardous waste management	Appoint accredited waste management company to manage the hazardous waste generated from the product site	Prior to disbursement															

Standard E&S clauses – guide to be included in facility agreements between PFIs and sub-borrowers *(Particularly for PFIS who will be developing new ESMSs)*. Please see sample guide below that can be modified by each PFI along those lines:

Each sub-borrower shall:

- (i) Comply with all environmental and social laws of Georgia.
- (ii) Shall obtain, maintain and ensure compliance with all requisite environmental and social permits.
- (iii) Implement procedures to monitor compliance with and to prevent liability under any environmental law.

Annex 6. Key Elements of Code of Conduct

A satisfactory code of conduct will contain obligations on all Contractor's Personnel (including subcontractors and day workers) that are suitable to address the following issues, as a minimum. Additional obligations may be added to respond to particular concerns of the region, the location and the project sector or to specific project requirements. The code of conduct shall contain a statement that the term "child" / "children" means any person(s) under the age of 18 years.

The issues to be addressed include:

1. Compliance with applicable laws, rules, and regulations
2. Compliance with applicable health and safety requirements to protect the local community (including vulnerable and disadvantaged groups), the Employer's Personnel, and the Contractor's Personnel (including wearing prescribed personal protective equipment, preventing avoidable accidents and a duty to report conditions or practices that pose a safety hazard or threaten the environment)
3. The use of illegal substances
4. Non-Discrimination in dealing with the local community (including vulnerable and disadvantaged groups), the Employer's Personnel, and the Contractor's Personnel (for example on the basis of family status, ethnicity, race, gender, religion, language, marital status, age, disability (physical and mental), sexual orientation, gender identity, political conviction or social, civic, or health status)
5. Interactions with the local community(ies), members of the local community (ies), and any affected person(s) (for example to convey an attitude of respect, including to their culture and traditions)
6. Sexual harassment (for example to prohibit use of language or behavior, in particular towards women and/or children, that is inappropriate, harassing, abusive, sexually provocative, demeaning or culturally inappropriate)
7. Violence, including sexual and/or gender based violence (for example acts that inflict physical, mental or sexual harm or suffering, threats of such acts, coercion, and deprivation of liberty).
8. Exploitation including sexual exploitation and abuse (for example the prohibition of the exchange of money, employment, goods, or services for sex, including sexual favors or other forms of humiliating, degrading behavior, exploitative behavior or abuse of power)
9. Protection of children (including prohibitions against sexual activity or abuse, or otherwise unacceptable behavior towards children, limiting interactions with children, and ensuring their safety in project areas)
10. Sanitation requirements (for example, to ensure workers use specified sanitary facilities provided by their employer and not open areas)
11. Avoidance of conflicts of interest (such that benefits, contracts, or employment, or any sort of preferential treatment or favors, are not provided to any person with whom there is a financial, family, or personal connection)
12. Respecting reasonable work instructions (including regarding environmental and social norms)
13. Protection and proper use of property (for example, to prohibit theft, carelessness or waste)
14. Duty to report violations of this Code
15. Non- retaliation against workers who report violations of the Code, if that report is made in good faith.

The Code of Conduct should be written in plain language and signed by each worker to indicate that they have:

- Received a copy of the code;
- Had the code explained to them;
- Acknowledged that adherence to this Code of Conduct is a condition of employment; and
- Understood that violations of the Code can result in serious consequences, up to and including dismissal, or referral to legal authorities.

A copy of the code shall be displayed in a location easily accessible to the community and project affected people. It shall be provided in languages comprehensible to the local community, Contractor's Personnel, Employer's Personnel and affected persons.

Annex 7. Generic ToR for Project Environmental, Health & Safety Specialist, & Social Specialist of EG

The generic TORs / job descriptions below are provided as a guidance for the key expertise, roles and responsibilities of the Environmental and Social specialists that need to be present within the project implementation team at EG. These functions may be allocated to staff or consultants recruited for the purposes of the Project. Some of these functions may be allocated to existing staff of EG provided that they have the adequate experience, qualifications, and time within their work program to undertake the listed functions.

The final and detailed scope of work of the Project Environmental and Social Specialists will be described in POM and approved by the World Bank prior to Project Effectiveness.

Environmental, Health, and Safety Specialist – Terms of Reference

Suitably qualified persons are invited to apply to fill the post of Environmental, Health, and Safety Specialist for the Georgia Relief and Recovery for MSMEs Project, at Enterprise Georgia Project Implementing Team.

Scope of Work:

- Adapt, develop, and improve ESHS screening forms and procedures following the principles described in the Project ESMF and ESMS.
- Ensure that EG and Contractor Organizations are aware of and apply the screening procedures and follow the monitoring and reporting guidelines as describes in the Project ESMF and ESMS in the evaluation and selection of micro-grant beneficiaries and in the implementation of micro-grant activities.
- Develop specific guidance for ESMF issues that can be provided to lenders to guide them on reviewing these issues during the credit analysis process, including basic procedures for each of the relevant sectors as they become part of the portfolio.
- Provide direct support to Contractor Organizations, PFIs, and other stakeholders, as relevant, in the evaluation of potential grants and loans by screening, auditing, site visits, and due diligence.
- Identify complex or sensitive MSME activities that require additional studies, new permitting, further due diligence, or other ESHS assessment work, as per World Bank policies described in the ESMF.
- Review contract and guarantee agreement language to ensure ESHS compliance and reporting requirements are adequate, reasonable, and appropriate.
- Engage with PFIs to evaluate and improve their environmental management systems and assist them with the review and preparation of annual reporting on environmental performance aspects.
- Identify and conduct outreach or training activities for participating Contractor Organizations, PFIs, MSMEs, and others.
- Review environmental and social reports provided by Contractor Organizations and PFIs, and provide reporting on project activities and environmental, health and safety concerns as they arise and in regular project reports, to serve as documentation of compliance, and to support periodic reporting to the World Bank.

- Where ESHS issues have been identified, support sub-borrowers (beneficiary MSMEs), Contractor Organizations or PFIs to develop remedial actions and monitor their implementation.
- Serve as the initial point of contact for any grievances regarding environmental, health and safety aspects of the project, lead and/or participate in the investigation of grievances as relevant.
- Develop and implement an auditing protocol to assess environmental practices and ensure compliance with ESMF requirements.
- Develop social and environmental training materials that are designed to address the issues that Contractor Organizations and PFIs are likely to encounter when working with MSMEs. These materials include the training module presentation as well as handouts and other literature lenders will need to ensure compliance with environmental requirements. The training must include a module for lenders to use to assess the ability of MSMEs to manage the environmental and social risks associated with their business.
- Present the social and environmental training module at all lender training sessions. This includes presentations in person, via webinar or other electronic means, and recording the presentation for inclusion on the web portal. An integral part of these training sessions is responding to questions from lenders.
- Respond to questions from lenders regarding specific circumstances related to a case that the lender is currently processing. Responses will include guidance on steps the MSME must take to meet social or environmental requirements if the case is not in compliance.
- Provide a quarterly report to Enterprise Georgia Project Manager regarding the number of training provided, the number and types of queries received, and any issues that seem to be affecting more than one lender.
- Review all applications for ESHS issues and follow up with the respective Contractor Organizations or PFIs if there are problems.
- Provide ESHS input into quarterly and/or annual reports, as necessary.
- Develop specific guidance for ESMF issues that can be provided to lenders to guide them on reviewing these issues during the credit analysis process.

Qualifications:

- A degree in Environmental Science or related area;
- Minimum 5 years' experience working in the environmental field, ideally in a position that also included exposure to the financial services industry;
- Familiarity with banking and lending;
- Familiarity with World Bank ESHS requirements (do not have to have worked with them before);
- Familiarity environmental regulations in Georgia;
- Experience reviewing projects for environmental compliance, experience with internationally-financed projects preferred;
- Ability to operate as an effective tactical and strategic thinker;
- Exceptional written, oral, interpersonal, and presentation skills;
- Fluency in Georgian and English (verbal and written).

Social Specialist – Terms of Reference

Suitably qualified persons are invited to apply to fill the post of Social Specialist for the Relief and Recovery for MSMEs Project, at Enterprise Georgia Project Implementing Team.

Scope of Work:

The Social Specialist primary responsibility comprises coordination and management of implementation of the procedures and management plans related to social risk management including labor and working conditions, stakeholder and community engagement, grievance mechanism, community health and safety, gender, social inclusion, sexual exploitation and abuse (SEA) and sexual harassment (SH) and any other social risks and impacts which may arise during project implementation.

Specifically, the specialist will ensure that the Project is carried out in consistency with the Environmental and Social Standards of the WB and in accordance with environmental and social instruments (Stakeholder Engagement Plan, Environmental and Social Management Framework, including labor management procedures within the ESMF), sub-project specific Environmental and Social Management Plans, and obligations listed in the Environmental and Social Commitment Plan).

Specifically, the specialist shall be responsible for:

- Together with EHS specialist develop and conduct training and awareness-raising for of Contractor Organizations and PFI personnel, potential beneficiaries, and other stakeholders, as applicable, in conducting social screening of project-financed activities in order to (i) filter out any activities which are not eligible for the Project support, (ii) assess social risks associated with the proposed activities, e.g., ascertain that no activities that may entail involuntary resettlement are considered for financing under the Project; and (iii) determine what kind of subproject-specific ES Instrument should be developed for the given activity;
- Support as needed the development and review of ESMPs as prescribed by the ESMF; ensure that ESMPs are disclosed in Georgian and English languages and consulted in meaningful and inclusive manner and format compliant with the quarantine restrictions imposed in Georgia at any given point of time;
- Develop detailed labor management protocols for the Project, incorporating applicable requirements of ESS2: Labor and Working Conditions and conduct training for Contractor Organizations, PFI staff and other stakeholders as applicable on these procedures;
- Conduct monitoring to ensure that the Project and contractor(s) hired under the Project are compliant with LMP, national employment, health and safety laws and relevant mitigation measures included in the ESMF/ESMP, including relevant WHO guidelines;
- Coordinate and manage all activities pertaining to the Project SEP, in coordination with relevant EG, NBG, and MoESD staff as well as NGOs and PFIs; This includes, among others the development and/or review of any project information materials, social media context, training of Contractor Organizations, PFI information desk staff, etc.
- Manage all aspects of the project grievance mechanism, including training of GM focal points, review and monitoring of the functioning of PFI ECMs, maintenance of consolidated project grievance log, follow-up on the resolution of grievances, prepare regular reports on the status and functioning of GM;

- Producing social audit review reports for the completed activities suggested for reimbursement from the Project proceeds based on the retroactive financing arrangements;
- Together with the EHS specialist, provide inputs to quarterly project reports on the environmental and social performance of project activities; provide assessment of the project social performance, document any revealed mis-performance and prescribed corrective action, describe status of corrective action applied to already identified incompliance and carry photo documentation from the project sites;
- Immediately communicate with the Project Manager in charge of the Project implementation in case of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the affected communities, the public or workers, and facilitate prompt reporting on such incident or accident to the WB in accordance with the ESF Standards of the WB, the ESCP and the ESMF;
- Cooperate with the regular implementation support missions of the WB, and provide contributions to the missions' work as requested; and
- Any other activities in relation with the implementation of the Project requiring professional involvement of a social standards specialist.

Qualifications:

The specialist shall have the following experience and qualifications:

- University Degree in sociology, international relations, psychology, law or any other relevant social sciences;
- At least 3-5 years of relevant experience in assessing, managing or supervising social aspects of development projects and impact assessments;
- Excellent verbal and written communication skills in Georgian and English.
- Work experience as a social specialist in/with the WB-funded projects and knowledge of the WB or other Multilateral Development Bank safeguard policies and requirements will be an advantage.

Annex 8. Generic Example of Employee Grievance Mechanism

[Name of Company]

Grievance Policy and Procedure for Employees

The effective implementation of policies and procedures is very crucial for the company's corporate culture. For this reason, it is critical to apply the grievance procedure, when employees perceive injustice and violation of the policies.

We seek to provide a working environment in which all employees feel that they are an important part of [company] and where employees feel fairly treated and in which problems that arise can be discussed and easily resolved at an early stage through open and honest communication. There may be times when the employee has a dispute with a supervisor or the company, which can best be resolved through a formal procedure for dispute resolution. All disputes between any employee and the company are to be resolved by in accordance with the following procedure. The company reserves the right to modify this procedure at any time and nothing in this procedure should be construed to constitute a contract between the employee and the company or to constitute any part of a contract between employee and the company.

This policy enables employees to raise and address any concerns, problems or complaints they may have so the issues can be resolved promptly, fairly and in the interest of everyone involved. The company has to ensure that employees' voice is heard. [Company's] aim is to make grievance procedure accessible and credible for employees.

Area of the policy application

Issues that may cause grievances include (but are not limited to): terms and conditions of employment, health and safety, work relations, bullying and harassment, new working practices, working environment, and organizational change and discrimination. [Company] uses Whistleblowing Policy and procedures to enable employees to report illegal activities, wrongdoing or malpractice. However, where the employee is directly affected by the matter in question, or if she/he feels victimized for an act of whistleblowing, she/he can raise the matter under this Grievance Procedure.

This policy is available to all employees of [company]. From time to time several employees may be affected by the same or similar circumstances, which they consider are more effectively dealt with by a collective grievance. In such cases, the same procedure will be followed as in the case of an individual grievance, with necessary adjustments, and the group of employees will be treated as if they had raised the matter as a single individual. A single notification of grievance will be made and all members of the group may attend the grievance meeting and any appeal.

Principles

- Wherever possible, every effort will be made to resolve grievances promptly and informally through discussion and/or mediation. The use of mediation will be at the discretion of the Head of HR Department (or her / his delegate) and will be considered in appropriate cases.
- All employees have the right to raise a formal grievance should the informal process fail.
- All complaints will be taken seriously and dealt without unreasonable delay.
- No decisions will be taken until a reasonable investigation to establish the facts has taken place.
- The employee raising a grievance has the right to be accompanied by a representative to any grievance meeting or appeal meeting under this grievance procedure. This representative may either be a labor union representative or a colleague. At any meeting the representative may make representations and ask questions but should not answer questions on the employee's behalf.

- An individual, against whom the grievance is made, will be spoken to as part of any investigation and will have the chance to respond to the allegations before any final decision is made.
- At any stage in the procedure, or between stages, mediation may be sought through the HR Department.
- Employees and their representatives should make every effort to attend grievance meetings as requested.

Procedure

Employee may first address her/his grievance with her/his immediate supervisor. If an employee does not feel able to speak with her/his immediate supervisor, or if the complaint relates to the immediate manager, it may be sent to the next level of management or to the Head of HR Department. She/he may speak with either a more senior manager or to the Head of HR Department, in order to discuss options for resolving the matter informally. This may be done through informal verbal discussion. If employee's informal attempts to resolve the matter are not successful, she/he may initiate the formal grievance process.

1. If employee initiates formal grievance process she/he is eligible to apply to the Head of HR Department with the grievance request. HR Department within 7 working days creates the Grievance Committee (hereinafter - Committee) with the approval of [XXX Manager]. The permanent members of the Committee are the representatives of HR & [Communications, Legal and Internal Control Departments – delete or modify names as needed]. Any other members are defined according to the business line. The preference is given to the unit, which is closer to the job specifics of the employee. The Head of the Committee is approved by the [XXX Manager].
2. HR Department independently and/or by request of the Committee members is responsible to collect and send to the Chair of the Committee the basic information related to grievance: written explanations of employee and immediate supervisor, other documented materials related to grievance.
3. The Chair of the Committee will write to the employee acknowledging the grievance and inviting her/him to the grievance meeting.
4. Within ten (10) working days following the defining of the Committee the grievance meeting is scheduled. Committee discusses submitted documents and/ or investigation evidence. Additionally, the Committee may request the meeting with employee / immediate supervisor or anyone related in any form to the grievance. The Committee may request a second meeting in order to assure the more accurate decisions. Committee's decision is reviewed and approved by [XXX Manager].
5. The grievance meeting will be conducted by the Chair of the Committee. The employee will be asked to explain the nature of her/his complaint and how she/he considers the matter may be resolved.
6. If the employee is unable to attend the meeting for circumstances beyond her/his control, she/he should inform the nominated Chair as soon as possible and efforts will be made to convene the meeting at a mutually convenient time. If the employee fails to attend the meeting without explanation or it appears that she/he has not made sufficient attempt to attend, the meeting may take place in the absence of the employee.
7. Following the meeting, the employee will be informed in writing of the outcome within 10 working days and told of any action that the company proposes to take as a result of the complaint. It is the responsibility of the Chair of the Committee to ensure that any outcome proposed as a result of the grievance meeting is carried out. Actions proposed will be monitored and reviewed, as appropriate. Where an employee's grievance is not upheld, the Chair of the grievance meeting will make sure the reasons are carefully explained.

8. If employee is not satisfied with the decision of the Committee, she/he may apply to the [XXX Manager]. The appeal should be made in writing to the [XXX Manager]. The employee should clearly state the grounds of appeal. This should be done within 10 working days of the written notification of the outcome of the grievance.
9. Where the [XXX Manager] determines that there are genuine grounds for an appeal, she/he will nominate a suitable manager to consider the appeal. This will be a manager not related to the grievance. Where the [XXX Manager] is of the view that there are no genuine grounds for appeal, she/he will write to the employee outlining the reasons for this decision.

Role of Human Resource and Communications Department

HR Department is responsible to a) develop this policy and execution means; b) ensure policy communication; c) lead the policy implementation process companywide; d) organize Committee.

Keeping records

It is the responsibility of the HR Department to ensure that accurate records are made. Such records should include:

- The nature of the grievance
- A copy of the written grievance
- The employer's response
- Action taken
- Reasons for action taken
- Whether there was an appeal and if so the outcome
- Subsequent developments

Records will be treated as confidential and kept no longer than necessary in accordance with the company's internal procedure.

Confidentiality

- The employees, their representatives, any respondent and/or witnesses should not discuss the grievance, investigation or contents of their statements with any other employee or third parties outside of the grievance process.
- Notes will be taken at meetings at each stage of the procedure as a record of proceedings. Notes will not be verbatim (word for word) but will form an accurate summary of the discussions that took place. A copy of all documentation will be kept confidentially by the HR Department in accordance with the company's internal procedure.

News Releases

Material information regarding the grievance procedure will be disclosed through the company's internal platform: distributed via emails and other communication means including orientation program and management trainings.

Annex 9. Incident Responses: Basic Guidance

A project incident is an accident or negative event resulting from a failure of the entity implementing the project to comply with the national and, where applicable, ESF requirements, or conditions that occur because of unexpected or unforeseen events during project implementation. Examples of incidents include: fatalities, serious accidents and injuries; social impacts from labor influx; sexual exploitation and abuse/sexual harassment (SEA/SH) or other forms of gender-based violence (GBV); major environmental contamination; loss of biodiversity or critical habitat; loss of cultural heritage; and, loss of access to community services.

The following is a basic template for reporting incidents. The Project Operations Manual (POM) will include more detailed guidance on preparing reports, root cause analyses (RCAs) and safeguards corrective action plans (SCAPs):

1. Name of the project; name of the creditor, responsible project manager and environmental and social specialists assigned to the project:
2. Preliminary classification of the incident (see Box 1 below)
3. What was the incident? What happened? To what or to whom?
4. Where and when did the incident occur?
5. When and how did we find out about it?
6. Are the basic facts of the incident clear and uncontested, or are there conflicting versions? What are those versions?
7. What were the conditions or circumstances under which the incident occurred (if known at this stage)?
8. Is the incident still ongoing or is it contained?
9. Is loss of life or severe harm involved?
10. Is Enterprise Georgia aware of the incident? What is their response to date?
11. What measures have been or are being implemented by the creditor/Contractor?

The report can include additional contextual questions, as set out in the POM.

Box 1: Incident Classification Guide

Indicative

- Relatively minor and small-scale localized incident that negatively impacts a small geographical areas or small number of people
- Does not result in significant or irreparable harm
- Failure to implement agreed E&S measures with limited immediate impacts

Serious

- An incident that caused or may potentially cause significant harm to the environment, workers, communities, or natural or cultural resources
- Failure to implement E&S measures with significant impacts or repeated non-compliance with E&S policies incidents
- Failure to remedy Indicative non-compliance that may potentially cause significant impacts
- Is complex and/or costly to reverse
- May result in some level of lasting damage or injury
- Requires an urgent response

- Could pose a significant reputational risk for the Bank.

Severe

- Any fatality
- Incidents that caused or may cause great harm to the environment, workers, communities, or natural or cultural resources
- Failure to remedy serious non-compliance that may potentially cause significant impacts that cannot be reversed
- Failure to remedy Serious non-compliance that may potentially cause severe impacts; is complex and/or costly to reverse
- May result in high levels of lasting damage or injury
- Requires an urgent and immediate response
- Poses a significant reputational risk to the Bank.

Incidents should be reported to Enterprise Georgia and to the World Bank, which will prepare a report, per the requirements of the Environmental and Social Incident Response Toolkit (ESIRT).