

Georgia
Relief and Recovery for Micro, Small, and Medium
Enterprises Project

ENVIRONMENTAL and SOCIAL
COMMITMENT PLAN (ESCP)

November 18, 2021

Environmental and Social Commitment Plan

1. Georgia (the Borrower) shall implement the “**Georgia Relief and Recovery for Micro, Small and Medium Enterprises**” Project (the Project). The overall implementation of the Project shall rest with the Ministry of Economy and Sustainable Development (MoESD). Enterprise Georgia (EG), a state agency under the MoESD and the National Bank of Georgia (NBG) shall be the Project Implementing Entities (PIEs). Project activities shall be implemented with the involvement of the following agencies: Ministry of Finance, Ministry of Justice, the Public Service Delivery Agency and the National Agency for Public Registry. The International Bank for Reconstruction and Development (the Bank) has agreed to provide financing for the Project.
2. The Borrower shall implement the Project and cause the project to be implemented by EG and NBG in accordance with the Bank’s Environmental and Social Standards (ESSs). This Environmental and Social Commitment Plan (ESCP) sets out material measures and actions, any specific documents or plans, as well as the timing for each of these actions to be carried out or caused to be carried out by the Borrower, including timeframes of the actions and measures, institutional staffing, training, monitoring and reporting arrangements, grievance management and the environmental and social (E&S) assessments and instruments to be prepared or updated, disclosed, consulted, adopted and implemented under ESCP and the ESSs, all in a manner acceptable to the Bank .
3. The Borrower shall and shall cause EG and NBG to ensure that the Project is implemented in compliance with all requirements of the ESCP, in a manner acceptable to the Bank. The Borrower shall also ensure compliance with any other E&S documents required under the Environmental and Social Framework (ESF) and referred to in this ESCP, such as Environmental and Social Management Framework (ESMF), Environmental and Social Management System (ESMS) including Labor Management Procedures (LMP) and Stakeholder Engagement Plans (SEP), and the timelines specified in those E&S documents.
4. Implementation of the material measures and actions set out in this ESCP shall be monitored and reported to the Bank by the Borrower as required by the ESCP and the conditions of the loan agreement, and the Bank will monitor and assess progress and completion of the material measures and actions throughout implementation of the Project.
5. As agreed by the Bank and the Borrower, this ESCP may be revised from time to time during Project implementation, to reflect adaptive management of Project changes and unforeseen circumstances or in response to assessment of Project performance conducted under the ESCP itself. In such circumstances, the Borrower as represented by the PIEs – EG and NBG - shall agree to the changes with the Bank and shall update the ESCP to reflect such changes. Agreement to changes to the ESCP will be documented through the exchange of letters signed between the Bank and the Borrower as represented by the PIEs. The Borrower as represented by the PIEs shall promptly disclose the updated ESCP.

| MATERIAL MEASURES AND ACTIONS | | TIMEFRAME | RESPONSIBLE ENTITY/AUTHORITY |
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| MONITORING AND REPORTING | | | |
| A | <p>REGULAR REPORTING</p> <p>Prepare and submit to the Bank regular monitoring reports on the environmental, social, health and safety (ESHS) performance of the Project, including but not limited to the implementation of the ESCP, status of implementation of the Project ESMS, stakeholder engagement activities, and functioning of the grievance mechanism(s) and ESMS implementation.</p> | <p><i>Every six months throughout Project implementation, starting from the Effective Date.</i></p> | Enterprise Georgia |
| B | <p>INCIDENTS AND ACCIDENTS</p> <p>Promptly notify the Bank of any incident or accident related to the Project which has, or is likely to have, a significant adverse effect on the environment, affected communities or workers, including those related to occupational accidents that may result in death or serious injury, falls and vehicle accidents, and sexual exploitation and abuse and sexual harassment (SEA/SH).</p> <p>Require Contractor Organizations, Selected Participating Financial Institutions (PFIs), Eligible Firms, MSME Beneficiaries, Selected MSME Beneficiaries, to provide sufficient detail regarding the incident or accident, indicating immediate measures or corrective actions taken or that are planned to be taken to address it, and any information provided by any contractor and supervising entity, as appropriate.</p> <p>Such reporting should be undertaken in compliance with national law, as well as applicable requirements in the ESMF and ESSs.</p> <p>Subsequently, prepare a report, based on the information provided by Selected PFIs, Contractor Organizations and sub-borrowers, on the incident or accident and propose any measures to prevent its recurrence.</p> <p>Specify in subsidiary loan agreement (Interest Co-Payment Participation Agreement and PCG Participation Agreement as applicable) with Selected PFIs and Selection Contracts signed with Selected PFIs and Contractor Organizations that prompt notification of accidents and incidents are to be included under Selected PFIs ESMS adapted from Enterprise Georgia's project-</p> | <p><i>Notify the Bank within 48 hours after learning of the incident or accident. Additional notification and reporting to the Bank, as required, during project implementation.</i></p> | Enterprise Georgia |

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| | wide ESMS. | <p><i>Obligate Selected PFIs and Contractor Organizations to submit a notification to EG on the incident, within 5 business days, including a brief description of the incident and expected next steps for dealing with the incident. This notification would be followed by a first incident report, to be submitted no later than 20 business days after the notification, which would include, where possible, a preliminary root cause analysis, as well as preventative, remedial, and any compensation measures taken. A final report to be submitted during project implementation.</i></p> | |
| ESS 1: ASSESSMENT AND MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS | | | |
| 1.1 | <p>ORGANIZATIONAL STRUCTURE Recruit and retain at least one Environmental Specialist and at least one Social Specialist within the Project Implementation Team. Said specialists shall be responsible for ensuring full compliance with the ESSs, ESCP and relevant instruments and shall be retained throughout Project implementation. Maintain the organizational structure as necessary throughout Project implementation.</p> | <p><i>Prior to disbursement of Part A funds.</i></p> <p><i>Thereafter retained throughout Project implementation.</i></p> | Enterprise Georgia |

| MATERIAL MEASURES AND ACTIONS | | TIMEFRAME | RESPONSIBLE ENTITY/AUTHORITY |
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| 1.2 | <p>ENVIRONMENTAL AND SOCIAL ASSESSMENT</p> <p>Comply with and update as necessary in a manner acceptable to the Bank, an Environmental and Social Management Framework (ESMF) for the Project which was prepared, disclosed, consulted upon and adopted on March 23, 2021.</p> | <p><i>Throughout the Project implementation.</i></p> | Enterprise Georgia |
| 1.3 | <p>Finalize, adopt, and disclose, in a manner acceptable to the Bank, the Project Environmental and Social Management System (ESMS) in line with the requirements of ESS 9, that is acceptable to the Bank. The ESMS shall include documents and procedures to ensure that its lending activities are compliant with the WBG Exclusion List, the applicable national laws and the relevant Environmental and Social Standards. No activities shall be carried out until said ESMS is adopted.</p> <p>Notify the Bank for a No Objection prior to making changes to the Project ESMS throughout the Project's life.</p> | <p><i>Adopt the ESMS no later than 120 days after Effective date, in a manner satisfactory to the Bank and implemented throughout the Project implementation.</i></p> <p><i>Obtain No Objection from the Bank before making changes to the ESMS.</i></p> | Enterprise Georgia |
| 1.4 | <p>Ensure that either Contractor Organizations procured for the Project or, when they are not involved, EG will undertake a simplified E&S risk screening of micro-grant applications under Part A.1 of the Project and the EG and the Contractor Organizations will integrate screening outcome into the grant approval process as described in the Project ESMF and Project ESMS.</p> | <p><i>Throughout operation of the micro-grants scheme.</i></p> | Enterprise Georgia Contractor Organizations |

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| 1.5 | <p>Ensure that all Selected PFIs adopt and implement an ESMS in accordance with 1.3 above, satisfactory to the Bank and conduct E&S due diligence assessments for activities of each MSME Beneficiary (under Part A.2) and Selected MSME Firm (under Part A.3) financed by the Project in line with the Exclusion List, national laws, the Project ESMF and Project ESMS.</p> <p>The Bank will undertake prior review of the environmental and social instruments for the Selected PFIs' subprojects.</p> | <p><i>Selected PFIs adopt ESMS prior to signing Participation Agreements (Interest Co-Payment Participation Agreement or PCG Participation Agreement as applicable) with the EG.</i></p> <p><i>Selected PFIs maintain ESMS and adhere to it throughout the Project implementation.</i></p> <p><i>Prior review will continue for at least the first six months after the Project Effective Date and will be extended until EG is fully able to assume this responsibility, at which time the Bank and the Borrower will review whether to continue with prior review or move to post review.</i></p> | <p>Enterprise Georgia</p> <p>Selected PFIs</p> |
| 1.6 | <p>Exclude from Project financing subprojects rated as High for environmental and social risk, subprojects requiring involuntary resettlement and subprojects with activities that are included in the WBG Exclusion List.</p> <p>Subprojects rated as Substantial will prepare environmental and social instruments in accordance with the requirements of the Project ESMF and Project ESMS.</p> <p>Subprojects rated as Low and Moderate will adhere to national law and regulations, as well as the WBG Exclusion List.</p> | <p><i>Throughout the Project implementation.</i></p> | <p>Enterprise Georgia</p> <p>Selected PFIs</p> |
| ESS 2: LABOR AND WORKING CONDITIONS | | | |
| 2.1 | <p>LABOR MANAGEMENT PROCEDURES</p> <p>Adopt, implement, and update the LMP as part of the Project ESMS in a manner consistent with the ESS2 and the</p> | <p><i>Adopt LMP no later than 120 days after Effective Date.</i></p> | <p>Enterprise Georgia and National Bank of Georgia</p> |

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| | national legislation of the Borrower | <i>Follow LMP throughout the Project implementation.</i> | |
| 2.2 | Ensure that Selected PFIs and Contractor Organizations have HR policies and procedures consistent with requirements under national law and ESS2. | <i>Prior to signing Participation Agreements (Interest Co-Payment Participation Agreement or PCG Participation Agreement as applicable) with the Selected PFIs and prior to signing Selection Contracts with Contractor Organizations.</i> | Enterprise Georgia |
| 2.3 | GRIEVANCE MECHANISM FOR PROJECT WORKERS Establish, maintain, and operate a grievance mechanism for Project workers, as described in the LMP and consistent with ESS2. Ensure that employers of contracted workers have in place a functioning grievance mechanism for their employees, including for grievances related to Sexual Exploitation and Abuse/Sexual Harassment (SEA/SH). | <i>For Enterprise Georgia - Adopt a Grievance Mechanism no later than 120 days after the Effective Date and maintain it throughout the Project Implementation.</i> <i>For contracted workers – ensure grievance mechanism is available and functional prior to commencement of works by the respective contractor.</i> | Enterprise Georgia |
| 2.4 | OCCUPATIONAL HEALTH AND SAFETY (OHS) MEASURES Adopt as part of the ESMS, implement and update occupational, health and safety (OHS) requirements for the Project in a manner acceptable to the Bank and in compliance with the national legislation of the Borrower. | <i>Include OHS requirements in ESMS no later than 120 days after Effective Date.</i> <i>Comply with OHS requirements - throughout the Project implementation.</i> | Enterprise Georgia |
| 2.5 | Ensure that Contractor Organizations and Selected PFIs have OHS procedures consistent with requirements under national law and ESS2. | <i>Prior to signing Selection Contract with Contractor Organizations and Participation Agreements (Interest Co-Payment Participation Agreement or PCG Participation Agreement as applicable) with Selected PFIs.</i> | Enterprise Georgia |

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| | | <i>Monitor adherence to OHS requirements throughout the Project implementation, and report to the Bank through semi-annual progress reports.</i> | |
| 2.6 | Ensure that Eligible Firms, MSME Beneficiaries, and Selected MSME Firms implementing activities with Substantial environmental and social risk develop and implement the LMP, including OHS Plan, consistent with ESS2, and cause any contractors and sub-contractors hired by them to adhere to LMP and OHS requirements. | <i>Ensure presence of satisfactory LMP prior to approving loan to MSME. Ensure adherence to LMP throughout sub-project implementation.</i> | Enterprise Georgia Selected PFIs |
| ESS 3: RESOURCE EFFICIENCY AND POLLUTION PREVENTION AND MANAGEMENT | | | |
| 3.1 | Ensure that Selected PFIs apply ESS3 requirements to Substantial risk sub-projects, and that their ESMS and E&S due diligence procedures are adequate for risk management and monitoring of resource use and pollution. | <i>For Substantial risk sub-projects, assess relevance of ESS 3 requirements prior to approval of loan to the MSME. Monitor consistency with ESS3 throughout sub-project implementation.</i> | Enterprise Georgia Selected PFIs |
| ESS 4: COMMUNITY HEALTH AND SAFETY | | | |
| 4.1. | COMMUNITY HEALTH AND SAFETY Ensure that Selected PFIs apply ESS4 requirements to Substantial risk sub-projects, and that their ESMS and E&S due diligence procedures are adequate for risk management and monitoring of impacts on community health and safety. | <i>For Substantial risk sub-projects, assess relevance of ESS 4 requirements prior to approval of loan to the MSME. Monitor impacts on community health and safety throughout sub-project implementation.</i> | Enterprise Georgia Selected PFIs |
| ESS 5: LAND ACQUISITION, RESTRICTIONS ON LAND USE AND INVOLUNTARY RESETTLEMENT | | | |
| <i>This standard is not considered relevant at Project Appraisal.</i> | | | |
| ESS 6: BIODIVERSITY CONSERVATION AND SUSTAINABLE MANAGEMENT OF LIVING NATURAL RESOURCES | | | |
| <i>This standard is not considered relevant at Project Appraisal.</i> | | | |
| ESS 7: INDIGENOUS <i>not</i> PEOPLES / SUB-SAHARAN AFRICAN HISTORICALLY UNDERSERVED TRADITIONAL LOCAL COMMUNITIES | | | |
| <i>This standard is not relevant in the context of Georgia.</i> | | | |
| ESS 8: CULTURAL HERITAGE | | | |

| <i>This standard is considered not relevant at Project Appraisal.</i> | | | |
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| ESS 9: FINANCIAL INTERMEDIARIES | | | |
| 9.1 | ESMS Ensure that, where this has not been done already, each Selected PFI adopts, maintains, and implements an ESMS consistent with the Project ESMS and acceptable to Enterprise Georgia and the Bank. | <i>Selected PFIs adopt ESMS prior to signing Participation agreements (Interest Co-Payment Participation Agreement or PCG Participation Agreement as applicable).</i> <i>Ensure that Selected PFIs maintain and implement ESMS throughout the Project implementation.</i> | Enterprise Georgia |
| 9.2 | FI ORGANIZATIONAL CAPACITY Establish and maintain an organizational capacity and competency for implementing the ESMS with clearly defined roles and responsibilities, including appointing officers responsible for sub-project screening, risk assessment and monitoring, all to the satisfaction of Enterprise Georgia and the Bank. | <i>Selected PFIs establish organization capacity prior to signing Participation Agreements (Interest Co-Payment Participation Agreement or PCG Participation Agreement as applicable) with EG. Maintain organizational capacity throughout the operation of the schemes supported by the Project.</i> | Selected PFIs |
| 9.3 | SENIOR MANAGEMENT REPRESENTATIVE: Designate within a senior management representative to have overall accountability for environmental and social performance of schemes supported by the Project and of FI subprojects to be financed | <i>Selected PFIs designate representative prior to signing Participation Agreements (Interest Co-Payment Participation Agreement or PCG Participation Agreement as applicable) with EG and maintain until Project completion.</i> | Selected PFIs |
| ESS 10: STAKEHOLDER ENGAGEMENT AND INFORMATION DISCLOSURE | | | |
| 10.1 | STAKEHOLDER ENGAGEMENT PLAN PREPARATION AND IMPLEMENTATION Adopt, implement, and update the SEP. | <i>Adopt SEP before Appraisal and implement throughout the Project Implementation.</i> | Enterprise Georgia |
| 10.2 | Ensure that the Instant Payments System (IPS) is developed in an inclusive manner, with adequate consultations with the public. | <i>Consultations on the IPS are completed prior to the launch of the system.</i> | National Bank of Georgia |

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| 10.3 | PROJECT GRIEVANCE MECHANISM: Adopt, implement and update the Grievance Mechanism. | <i>Adopt Grievance Mechanism before the Effective Date and operate it throughout the Project implementation.</i> | Enterprise Georgia |
| 10.4 | Ensure that Selected PFIs maintain External Communications Mechanism (ECM) as part of their corporate ESMS, including a functioning grievance mechanism accessible to the public. | <i>ECM is adopted by Selected PFIs as part of their ESMS prior to signing Participation Agreements (Interest Co-Payment Participation Agreement or PCG Participation Agreement as applicable) with Selected PFIs.</i> <i>ECM is maintained throughout operation of the schemes supported by the Project.</i> | Enterprise Georgia Selected PFIs |
| CAPACITY SUPPORT (TRAINING) | | | |
| CS1 | As part of Project launch activities, conduct comprehensive ESF training for staff of Enterprise Georgia | <i>Prior to disbursement of Project proceeds under Part A of the Project.</i> | Enterprise Georgia, supported by World Bank |
| CS2 | Training for Contractor Organizations and Selected PFIs on all E&S commitments under the Project | <i>Prior to disbursement of Project proceeds under Part A of the Project.</i> | Enterprise Georgia |
| CS3 | Training and awareness sessions for extended staff of Selected PFIs and Contractor Organizations of Part A of the Project on E&S requirements | Commence prior to implementation of Part A of the Project and throughout Project implementation. | Selected PFIs Contractor Organizations |