

Enterprise Georgia

Relief and Recovery for Micro, Small and Medium Enterprises Project

Environmental and Social Management System

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Abbreviations

CO	Contractor Organization
CERC	Contingency Emergency Response Component
CSO	Civil Society Organizations
EAC	Environmental Assessment Code of Georgia
EG	Enterprise Georgia
EIA	Environmental Impact Assessment
ESMF	Environmental and Social Management Framework
ESMS	Environmental and Social Management System
ESP	Environmental and Social Policy
GRM	Grievance Redress Mechanism
LEPL	Legal Entity of Public Law
LMP	Labor Management Procedure
MOESD	Ministry of Economy and Sustainable Development
MoF	Ministry of Finance
MSMEs	Micro, Small and Medium Enterprises
NGO	Non-Governmental Organization
PCGs	Partial Credit Guarantees
PIE	Project Implementing Entity
PIU	Project Implementation Unit
PFI	Participating Financing Institution
WBG	World Bank Group

1. Introduction

Enterprise Georgia (EG) 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

EG focuses on increasing the competitiveness of the private sector, enhancing the country's export potential, and promoting and supporting foreign direct investments in Georgia.

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.

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.

The Invest in Georgia division plays the role of moderator between foreign investors and the government of Georgia, ensuring that the investor gets different types of updated information and has a means of effective communication with the government bodies. The investment division aims 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 investment.

EG developed this Environmental and Social Management System (ESMS) to implement the World Bank-supported Relief and Recovery for Micro, Small, and Medium Enterprises (MSMEs) Project (further, “the Project”). The objective of the ESMS is to manage its exposure to environmental and social risks to beneficiary companies/ operations and help EG in reducing overall risk exposures.

The ESMS is a set of policies, procedures, and tools to identify and manage environmental and social risks, especially those concerning EG's activities as a Financial Intermediary (FI). It is a combination of a) the environmental and social policy; b) procedures to screen projects/activities and assign environmental risk categories; c) approaches to review and assess environmental and social risks and impacts; d) requirements for monitoring and reporting; e) an external communications mechanism; f) stakeholder engagement and consultation processes; g) labor management procedures for EG, including a grievance redress mechanism (GRM) for labor complaints; and, h) an external GRM for handling environmental and social complaints.

ESMS commits EG to meet regulatory requirements and other best practices to manage its social and environmental risks. By implementing an ESMS, EG can enhance its understanding of E&S risks associated with its activities and incorporate them in the decision-making process. EG is committed to implementing ESMS and thus ensuring that the agency's environmental and social

principles are followed accordingly. As an adaptive management strategy, ESMS is a living document that EG will review and update regularly.

In particular, the current ESMS provides general policies and procedures to be integrated into EG's broader policy framework. It lays out step-by-step instructions for environmental and social screening, risk assessment and management, monitoring, and reporting. It describes the principles, objectives, and approaches to be followed by EG and other Project implementing partners in subprojects' environmental and social management.

Furthermore, the present ESMS overviews Georgia's environmental and social policies and legal framework, the World Bank's Environmental and Social Standards (ESSs) relevant to the Project; and gives guidance to environmental and social risk identification and assessment, GRM, labor management, stakeholder engagement, and consultation procedures to be followed during the Project implementation.

2. Environmental and Social Policy of Enterprise Georgia

EG recognizes that its business operations and transactions can have direct and indirect undesirable impacts on the natural and social environment and communities, in general. It realizes the importance of managing its social and environmental performance by contributing to sustainable development goals, social justice, mitigation of climate change, and transition to a green future. Therefore, EG is determined to enhance the understanding of environmental and social issues associated with its operations and responsibly manage environmental and social risks to minimize the potential impacts on the natural and social environment, the stakeholders, and communities.

In light of the abovementioned, EG defines its Environmental and Social Policy as the commitment to sustainable development and sound environmental and social practice. An important objective of the EG's Environmental and Social Policy is to ensure compliance of its operations with the relevant national legislation and stronger alignment with international environmental, social, health, and safety (ESHS) standards.

EG is committed to:

- Focusing on a safe, reliable, sustainable, environmentally and socially responsible, and efficient business development; providing services thoughtfully to prevent pollution and safeguard the natural and social environment;
- Developing and assuring conformity with its stated environmental and social policy, and demonstrating that it is compliant with relevant national regulations and with applicable international environmental and social performance standards;
- Establishing, implementing, maintaining, and improving procedures for assessing environmental and social risks of EG's activities; adhering to applicable international best risk management practices when financing business activities and striving to reduce environmental and social risks and impacts, where feasible;

- Promoting improved environmental and social risk management of beneficiary companies in compliance with the national legislation of Georgia and applicable international standards;
- Communicating and promoting awareness, accountability, and environmental and social responsibility among employees, beneficiary MSMEs, financial intermediaries, contractors, as well as government, public, and other stakeholders;
- Ensuring all managers, supervisors, and employees are aware of the E&S Policy and of their specific responsibilities for environmental, social, and health, and safety performance; and that information and training is provided to enable employees and contractors to operate in a manner that minimizes risk to employees' and communities' health and the environment;
- Providing mechanisms for employees and other stakeholders to express concerns and make suggestions about EG's activities and practices and act in a transparent and accountable manner to address and respond to grievances, concerns, and feedback;
- Engaging in open dialogue with and consider the views of local communities and stakeholders before making decisions that could affect those communities and community members via free, prior, and informed consultations;
- Strictly adhering to the EG' Human Resources Policy and requiring adherence to the same principles of all contractors and financial institutions involved in EG operations and activities.

3. Project Description

Upon request from the Government of Georgia, the International Bank for Reconstruction and Development agreed to provide a loan for investing in implementing the Relief and Recovery for MSMEs Project. The Project objective is to provide relief to MSMEs and support their recovery by strengthening the enabling environment for access to finance.

The Project includes the following main components:

- Component 1: Financial relief and recovery for MSMEs – the component supports the expansion of the following financial instruments implemented by EG: (a) grants for MSMEs through EG's Micro and Small Entrepreneurship Support Program, (b) co-financing of interest payments through EG's Produce in Georgia Program, and (c) partial credit guarantees (PCGs). The component also provides non-financial support in training and technical assistance to help firms adjust to new conditions, improve their business skills, and increase their resilience.

Component 1. includes the following subcomponents:

- Subcomponent 1.1: Grants for micro and small firms - provides grants to micro and small firms affected by the COVID-19 pandemic and entrepreneurs seeking new business opportunities.

- Subcomponent 1.2: Co-financing of interest payments finances the existing mechanism for co-financing interest payments implemented by EG under the umbrella program produced in Georgia.
 - Subcomponent 1.3: Partial credit guarantees finances the provision of PCGs and supports technical assistance to strengthen the existing credit enhancement mechanism offered by EG.
 - Subcomponent 1.4: Support for COVID-proofing and digitization supports both - the design and the provision of technical assistance and training to firms to adjust to new conditions and increase their business skills in terms of managerial and digital capabilities and relevant COVID-proofing measures.
- Component 2. Digital payments and financial infrastructure upgrading finances investments to strengthen the financial infrastructure and increase the usage of digital financial services.
 - Component 3. Project management and monitoring finance the project management, implementation, and monitoring needs.
 - Component 4. Contingency Emergency Response is an unfunded contingency component that can be activated in a relevant emergency event.

4. Institutional and Legal Framework

4.1. Institutional Arrangements

The overall responsibility for the Project implementation rests with the MoESD. MoESD acts as a technical lead of the Project.

EG and the National Bank of Georgia (NBG) are two Project implementing entities. NBG is mainly responsible for implementing Component 2 activities of the Project. It finances investments and operational costs associated with the infrastructure of the instant payment system and provides technical assistance to support the outreach and connections of users to the system.

The majority of the Project activities under Component 1 are implemented by EG - a governmental economic development agency operating under the MoESD. EG focuses on increasing the competitiveness of the private sector, enhancing the country's export potential, and promoting and supporting foreign direct investments.

EG developed the Project Environmental and Social Management Framework (ESMF) and the present ESMS to lay out guiding principles for applying environmental and social management tools to the Project-financed activities.

The sections below outline EG's implementation arrangements, environmental and social risk management capacity and describe other Project implementing partners responsible for implementing relevant components and ESMS.

Enterprise Georgia

The EG is the implementing unit of Component 1 activities of the Project. It is responsible for all aspects of its day-to-day management, including its adherence to the Project ESMF and ESMS. To effectively manage and implement project subcomponents, the Project Management Team (PMT) was established at EG comprised of the relevant department staff, including the Analysis, Monitoring and Evaluation Department, Financial Processes and Risk Management Department, SME Development Department, Micro Entrepreneurship Development Department, Administrative Department, Department of Strategic Development and Communication, and Environment and Social Specialists responsible for overall environmental and social commitments of EG under the Project.

Environmental Specialist of Enterprise Georgia

The Environmental Specialist works closely with the Social Specialist and is fully involved in the preparation, implementation, and monitoring of the ESMS of the Project. In particular, together with the Social Specialist, her/his tasks include but are not limited to:

- Developing and updating Project-related environmental screening and risk management documentation.
- Developing and periodically updating the Project ESMS and ESMF;
- Ensuring that EG, financial institutions participating in the Project implementation (PFIs), and other involved entities e.g., Contractor Organizations (COs) and stakeholders are aware of and apply the screening and due diligence procedures and follow the monitoring and reporting guidelines described in the Project ESMF and ESMS.
- Overseeing and providing direct support to COs, PFIs, and other stakeholders, as relevant, in the screening, review, and evaluation of environmental risks of proposed subprojects.
- Engaging with PFIs to evaluate and improve their environmental management systems and assist them with all matters related to the proper implementation of the Project ESMS.
- As needed, identifying and conducting outreach/training for COs, PFIs, MSMEs, and others.
- Reviewing environmental and social monitoring reports provided by COs and PFIs and contributing to EG's semi-annual Project progress reporting to the World Bank.

Social Specialist of Enterprise Georgia

The Social Specialist works closely with the Environmental Specialist and has the following tasks and responsibilities within the Project:

- Developing and updating Project-related social documentation: e.g. Project Stakeholder Engagement Plan (SEP), Labor Management Procedures (LMP), and GRM; providing inputs to Environmental and Social Impact Assessments (ESIAs) and Environmental and Social Management Plans (ESMPs);
- Developing and periodically updating the Project ESMS and ESMF, where required;
- Training staff of EG on the ESMS to explain respective roles, responsibilities, the flow of information, and integration into the mainstream business lines of the institution;

- Ensuring that EG and other projects/subprojects implementing agencies are aware of and apply the screening and due diligence procedures and follow the monitoring and reporting guidelines described in the Project ESMS.
- Ensuring that the Project GRM is established and remains operational, building awareness among all stakeholders and the public on the GRM, managing grievance log, monitoring and reporting on the status and functioning of the GRM. Ensuring that the Project implementation complies with national social and labor laws and the Project's Environmental and Social Commitment Plan (ESCP), and the relevant Environmental and Social Standards (ESS) of the World Bank.
- Providing training to Contractor Organizations (COs) and the selected PFIs on all environmental and social commitments and requirements under the Project.

Contractor Organizations

EG will implement the Project sub-component 1.1 through COs. The COs are non-profit/non-governmental organizations or, possibly, other types of legal entities that will be engaged in the Project and responsible for promoting the Project in the relevant geographical areas and assisting EG in selecting beneficiary ESMSs.

For this purpose, EG will announce a tender for two lots, Eastern Georgia and Western Georgia, and select two COs to manage the implementation of the Project in the respective regions.

COs will implement the Project according to the methodologies, criteria, and guidelines developed by EG. The COs will be required to participate in training on the program's environmental and social (E&S) requirements and support outreach and engagement activities led by EG. The online software will be used to support the exchange of information between COs and EG. COs will support EG in collecting specific data from grant recipient ESMSs (about their activities, usage of funds, and environmental and social risks and performance).

COs should ensure compliance of their policies and procedures with national legislation on labor and Occupational Health and Safety (OHS) and Labor Management Procedure (LMP) developed and adopted by EG in the scope of the Project. COs shall also establish and maintain Grievance Redress Mechanism (GRM) for labor-related issues and submit a Code of Conduct to EG for review and approval, as required under World Bank procurement procedures. The Code of Conduct should reflect the company's core values, overall working culture and include provisions relating to sexual exploitation and abuse and sexual harassment (SEA/SH) prevention

The different set of responsibilities and actions to be undertaken by COs within the project include:

- Recruitment of grant reviewers, trainers, and inspectors
- Review of business ideas
- Establishment and operation of regional offices
- Training on entrepreneurship
- Evaluation of business plans and applicant interviews
- Onsite inspections
- Contract signing with winners on behalf of EG
- Onsite monitoring missions #1

- Onsite monitoring missions #2
- Additional/non-obligatory training
- Onsite monitoring missions #3
- Additional monitoring

COs will have respective staff responsible for reviewing grant applications, applicant training, and monitoring grant-financed activities.

Grant application reviewers are responsible for: (i) evaluation of applications ("business ideas") according to the methodology developed by EG based on pre-designed criteria; (ii) evaluation of business plans according to the methodology developed by EG based on pre-designed criteria; (iii) conducting interviews with potential beneficiaries according to the methodology developed by EG based on pre-designed criteria.

Trainers responsibilities include: a) developing training materials (subject to EG approval), including general entrepreneurship topics, business plan guidelines, and general environmental and social requirements (provided by EG); b) conducting training to the potential beneficiaries based on developed materials, c) developing relevant training materials and conducting additional training sales and marketing, accounting and tax management, business administration, hotel management, and health and safety procedures upon request from beneficiaries.

Inspectors verify the information and documentation provided by applicants and confirm their accuracy, including environmental and social screening information. Inspectors subsequently conduct at least three monitoring missions at different stages of the program to check the fulfillment of the obligations by the beneficiary, including environmental and social obligations.

In addition, during the different stages of monitoring, inspectors check and verify any outstanding environmental and social issues e.g., missing permits/licenses, violation or neglecting environmental or social requirements, and identify any emerging risks to ensure that proper remediation actions are proposed and implemented with the assistance of EG Environmental and Social Specialists.

COs will be responsible for reporting to the Micro Entrepreneurship Development Department of EG, which will oversee the activities undertaken by CO's and their staff and evaluate the quality of their deliverables. In addition, the EG's Micro Entrepreneurship team will conduct random spot checks of the CO's deliverables (evaluation forms of business ideas, business plans, and interviews) and observe interviews by sampling. In addition, the Micro Entrepreneurship team will verify and analyze the information collected by COs during inspection and monitoring visits, including environmental and social due diligence applied by COs in line with the requirements described in the ESMS.

Participating Financial Institutions

Under Sub-components 1.2 and 1.3, EG will co-finance interest payments and provide partial guarantees to MSMEs to be delivered via PFIs such as commercial banks, leasing companies, or

microfinance institutions. EG will sign participation agreements or update existing ones with PFIs defining loan appraisal, monitoring, and reporting responsibilities.

All PFIs involved in the Project implementation are required to develop and adopt, or upgrade corporate ESMSs, 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; (iv) monitoring and review of environmental and social risks of subprojects and the portfolio; and (v) an external communication mechanism in accordance with the current Project ESMS, ESMF, and relevant World Bank ESSs.

All PFIs involved in Project implementation shall have environmental/social specialists in charge of applying environmental and social requirements, such as risk screening, monitoring, and reporting, and a representative of Senior Management responsible for decision-making based on environmental, social screening results and assessment.

PFIs rely on their ESMSs while implementing low and moderate risk subprojects subject to Project financing. However, PFIs may need to apply additional due diligence while financing substantial risk category subprojects as defined by the World Bank screening and risk categorization mechanisms and agree to apply higher than national standards for managing environmental and social risks of such subprojects.

These requirements will be binding to the Project participating PFIs through contractual agreements with EG. EG will undertake bi-annual checks to confirm that PFIs continue to apply the adopted ESMSs in line with Project ESMS and the World Bank ESSs for handling substantial risk Project-supported activities.

Other Stakeholders

The Project has stakeholders from the government, private sector, citizens of certain regions/villages, and a range of other interested parties. Based on those mentioned above, the other stakeholders of the Project can be divided into the following core categories:

Affected Parties – persons, groups, and other entities within the Project’s rea of influence directly influenced (actually or potentially) by the Project and/or have been identified as most susceptible to change associated with the Project.

Other Interested Parties – individuals/groups/entities that may not experience direct impacts from the Project but who consider or perceive their interests as being affected by the Project and/or who could affect the Project and the process of its implementation in some way.

Vulnerable Groups – persons who may be disproportionately impacted or further disadvantaged by the Project (s) as compared with any other groups due to their vulnerable status and/or that may require special engagement efforts to ensure their equal opportunity to benefit from the Project, as well as equal representation in the consultation and decision-making process associated with the Project.

The detailed list of Stakeholders is in the SEP attached to this ESMS ([See Annex 10](#)).

4.2. Legal Framework

National Environmental and Social Legislation

The legal framework for regulating the environment and social aspects in Georgia is founded on the Constitution of Georgia, which stipulates the right to a healthy environment and the duty of all to protect and enhance the environment. Many national legal documents support the proper consideration of environmental and social aspects in project/activity development.

The following national legal documents are relevant for the Project:

	General
1995	Constitution of Georgia
1997	Civil Code of Georgia
1999	General Administrative Code of Georgia
	Environment
1996	Law of Georgia on Environmental Protection
2017	Law of Georgia on Environmental Assessment Code
2005	Law of Georgia on Georgian Red List and Red Book
1997	Law of Georgia on wildlife
2020	Law of Georgia on Forest Code of Georgia
1999	Law of Georgia on Protection of Ambient Air
1997	Law of Georgia on Water
1994	Law on Soil Protection
1996	Law on Subsoil
2014	Law on Waste Management Code
1998	Law of Georgia on Hazardous Chemicals
1998	Law of Georgia on Compensation of Damage from Hazardous Substances"
2019	Law of Georgia on Promoting the Generation and Consumption of Energy from Renewable Sources
2014	Environmental Technical Regulation, The Government Order #17
2020	Law of Georgia on Energy Efficiency
	Social, health, and labor issues
2007	Law on Public Health
1997	Law of Georgia on Health Care
2013	Labor Code of Georgia
2019	Georgian Law on Labor Safety
1995	Law of Georgia on Social Protection of Disabled Persons,
2006	President Order No 351, dated June 4 1999, amended 2006.
2019	Organic Law of Georgia on Occupational Health and Safety

	Land ownership and land take
2019	Organic Law of Georgia on Agricultural Land Ownership
1997	Law of Georgia Civil Procedural Code of Georgia
2010	Law of Georgia on State Property
2007	Law of Georgia on Recognition of Property Rights of the Parcels of Land Possessed (Used) by Natural Persons and Legal Entities under Private Law

The environmental assessment process in Georgia is mainly regulated by the Environmental Assessment Code (EAC). The EAC was adopted in 2017 and entered into force in 2018.

Environmental assessment is a procedure aiming at identifying and assessing the potential adverse impacts of proposed activities on the natural environment, human health, cultural heritage, and material assets based on relevant studies. EAC includes two annexes with the sets of activities. The activities listed in Annex I to the EAC ([See Annex 1](#)) are subject to Environmental Impact Assessment (EIA) and issuance of Environmental Decision by the Ministry of Environmental Protection and Agriculture of Georgia (MEPA). In contrast, Annex II activities of the EAC ([See Annex 2](#)) are subject to screening. The screening procedure defines whether an activity shall undergo an environmental impact assessment or be exempted from this. Activities not subject to EIA procedure and issuance of Environmental Decision should comply with relevant national environmental technical regulations and norms.

The main stages of EIA include:

- Screening;
- Scoping;
- Undertaking EIA and preparing an EIA Report by the project proponent;
- Disclosure of EIA report and public consultation held by the MEPA;
- Review of the EIA Report by the MEPA;
- Issuance of an Environmental Decision by the MEPA or issuing a negative decision and rejecting the activity for implementation.

National Social/Labor Legislation

The Constitution of Georgia establishes a fundamental right to safe working conditions.

Law on Labor Safety 2019 defines general principles, basic requirements, and preventive measures that are related to Occupational Health and Safety (OHS) at the workplace, e.g. the existing and anticipated risks, prevention of accidents, and occupational diseases, training, information sharing, and consultations with the employees, and their equal engagement in the occupational health and safety protection procedures. The Law addresses the main ESS2 and ESS4 requirements of the World Bank related to occupational health and safety. It applies to all areas of economic activity, including the labor relations as determined by the Labor Code and the Law of Georgia on Civil Service.

The Labor Code of Georgia 2013 regulates main labor risks and management requirements. As per LC requirements, recruitment procedures will be transparent, public, and non-discriminatory

concerning ethnicity, religion, sexual orientation, disability, gender, and other grounds included in the Labor Code.

All contractors and sub-contractors under the Project must meet OHS standard requirements consistent with the Organic Law of Georgia on Occupational Health and Safety.

The World Bank's Environmental and Social Standards

The World Bank finances the Relief and Recovery for MSMEs Project. As such, the objectives and requirements of the World Bank's ESSs apply to all Project-financed activities.

Out of ten ESSs of the World Bank, ESS1, ESS2, ESS3, ESS4, ESS9, and ESS10 are relevant to the Project:

ESS1. Assessment and Management of Environmental and Social Risks and Impacts

The standard applies to all Project subcomponents that may cause potential environmental and social impacts. Activities under these Subcomponents will be subject to screening, due diligence, and monitoring by EG, COs, and PFIs to ensure conformance with Georgian national environmental and social legislation and relevant requirements of ESF. The respective remedial actions should be identified where noncompliance with the national regulatory framework or ESMF occurs, posing potential risks to the environment, people, or communities. The implementation of those proposed measures should be monitored and ascertained by EG, via COs and PFIs, involving other national authorities, as relevant.

ESS2. Labor and Working Conditions

The standard applies to all direct and contracted workers under the Project. This includes employees of the Project implementation team at EG and NBG, COs and PFIs, and any Consultant recruited to implement Project activities. Project beneficiaries (MSMEs) will also commit to comply with national labor legislation. Where subcomponents risks are substantial, the LMP, prepared in line with the World Bank's ESS 2, will complement the national laws and the ESF to include good international industry practices for working conditions and occupational health and safety issues specific to their work sector.

ESS3. Resource Efficiency and Pollution Prevention and Management

The standard related to pollution prevention and the efficient use of resources is potentially relevant to the activities of MSME beneficiaries under subcomponents 1.2 and 1.3. Risk identification and mitigation measures will be integrated into the beneficiaries' screening and due diligence measures.

ESS4. Community Health and Safety

Community health and safety risks under subcomponents 1.2 and 1.3 are identified and managed via screening and due diligence procedures. Project beneficiaries (MSMEs), via their contractual agreements with EG or PFIs, will commit to robust community health and safety measures per national law and zero tolerance of SEA/SH within their operations.

ESS9. Financial Intermediaries.

Subcomponents 1.2 and 1.3 will involve financial intermediaries. Following ESS9, PFIs under the Project will maintain an ESMS including : (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; (iv) monitoring and review of environmental and social risks of subprojects and the portfolio; and (v) an external communications mechanism.

ESS10. Stakeholder Engagement and Information Disclosure.

The Project implementing entities (EG and NBG), COs, and PFIs involved in delivering funds to beneficiaries will provide transparent information and systematically engage with stakeholders to ensure their 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 proper manner and format. Stakeholders may include project-affected persons or other interested parties.

5. Environmental and Social Due Diligence

5.1 Environmental and Social Screening

All individual activities under the Project are subject to environmental and social screening and risk classification to establish their eligibility for the Project support and decide on the scope of due diligence to be applied to these activities. EG, COs, PFIs have various roles in environmental and social screening activities. The first filter to be applied when screening a proposed activity establishes its eligibility for receiving support from the World Bank-financed Project. Ineligible activities are rejected at this initial stage of screening.

Eligibility Assessment

Eligibility of activities for support from the World Bank-financed Project is established through screening against the following eligibility criteria:

- 1. Activities appearing on the World Bank Group's exclusion list: these activities listed in [Annex 3](#), as a rule, are ineligible for any World Bank financing*
- 2. Activities carrying high environmental and/or social risks*

Types of activities listed in Annex I of the EAC are classified as high-risk. This list is provided in Annex 1 of this ESMS.

- 3. 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 above, screening needs to ascertain that all land and property where business activities will take place are legally owned by the 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.

4. *Activities of a company that has been sanctioned for noncompliance with the national environmental and/or social legislation*

COs/PFIs will require signed confirmation from potential beneficiaries that they do not have a history of prior noncompliance or sanctions from state environmental or social authorities.

5. *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 necessary permits/licenses, the applicant will be required to produce those or, if they are unable to do so, the application will be rejected.

6. *Activities to be implemented in a designated protected area or cultural heritage site*

This includes activities in any of the categories of protected areas covered by the Law of Georgia on the System of Protected Areas, designated Emerald Network sites, 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.

7. *Activities with significant risks and impacts on workers and community and occupational health and safety include activities that could affect workers' working conditions and health and do 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.*

Risk Categorization

Activities considered for support from the World Bank-financed Project are classified into four risk categories: low, moderate, substantial, and high.

Types of activities listed in Annex I of the EAC of Georgia ([See Annex 1](#)) will be categorized as **high-risk** and excluded from support under the Relief and Recovery for MSME Project.

Activities listed in Annex II of the EAC of Georgia ([See Annex 2](#)) will be categorized as **substantial-risk**. According to the EAC, such activities may or may not require EIA and obtaining a positive environmental decision from the MEPA, depending on the outcome of environmental screening¹ undertaken by MEPA in accordance with the EAC.

¹ The MEPA issues the Screening Decision within 10-15 working days. The screening process covers preparation of the screening application by the project proponent, applying to MEPA, posting the screening application on the website of the MEPA by the relevant staff of the MEPA to enable public comments, and after 10-15 working days, issuing the screening decision by the MEPA.

To undertake EIA is the responsibility of an activity proponent. If an activity is subject to EIA, but it is not undertaken or not completed, and an activity proponent does not hold a positive environmental decision², it will not be supported by the Project.

Substantial-risk activities may be subject to meeting additional requirements of the relevant World Bank ESSs if these requirements exceed those of the national EIA procedure (See details in Chapter 5.2).

Activities not listed in Annexes I and II of the EAC are categorized as *moderate or low risk*. Their implementation must comply with the national legal framework, and no additional requirements of the World Bank apply, other than the requirement to report and follow-up on incidents and accidents.

Screening Subprojects Under Subcomponent 1.1.

Subcomponent 1.1 finances moderate and low-risk activities only. The activities listed in Annex I and II of EAC are not eligible for Project grant financing under this subcomponent.

All applicants will be required to submit online applications through special software. The online application will be automatically screened against the World Bank Group Financing Exclusion List ([See Annex 3](#)) and EAC Annex I and Annex II ([See Annex 1](#) and [Annex 2](#)).

The MSMEs carrying out the World Bank Exclusion List and EAC Annex I and Annex II activities will be automatically rejected at the online application stage. The MSMEs passing the online application stage will be further screened out using a special Screening Form ([See Annex 4](#)). The designated CO staff (inspectors) will fill out the Screening Form and validate the information provided by the applicants during an onsite inspection.

The screening of MSMEs' applications aims to confirm or deny the subproject's eligibility from an environmental and social standpoint and recommend subprojects for further financing.

Grant applications are screened on a "pass-or-fail" basis using several criteria. An application is rejected if the proposed activity:

- a) is carried out by a company-sanctioned in the course of this activity for violating environmental, community, and/or occupational health and safety, and/or labor laws/regulations;
- b) requires permits/licenses³ according to the national legislation, but the applicant does not hold them;
- c) is carried out by a company not having the legal proof of owning all land premises on which financed activities will take place;
- d) leads to economic or physical displacement of people due to land acquisition, and

² Environmental Decision – an individual administrative-legal act issued in accordance to the Article 13 of the EAC, which is a mandatory precondition for the implementation of projects subject to EIA.

³ Permits/licenses refer to any permit or Environmental Decision, license, agreement/contract, or relevant documentation established/bidding to the company/MSME by the national environmental legal and regulatory framework of Georgia. Validity/relevance of provided permits/licenses will be reviewed and assessed case by a case basis.

- e) is carried out in the nationally and/or internationally designated protected areas, and protected zones in general, or designated cultural monument or plot bordering the territory of a cultural monument.

In addition, the screening of MSMEs' applications aims to ensure that the proposed activity does not carry significant risks and impacts on workers and the community. In case of any shortfalls, missing permits/licenses, or identifying any environmental and social risks, the CO defines and recommends correction measures (e.g., obtaining all relevant permits/licenses, etc.). In addition, the CO gives detailed instructions to MSMEs on LMP, GRM, incident reporting, and environmental and social management aspects, if applicable.

CO signs grant contracts with the selected MSMEs on behalf of EG and contractually binds them to be accountable for accurate and timely engagement of local communities and labor to raise and address their concerns on potential negative environmental and/or social aspects (e.g., nuisance from noise, odor, vibration, littering, lack or violation of health and safety measures, etc.) resulted from the implementation of grant-financed activities.

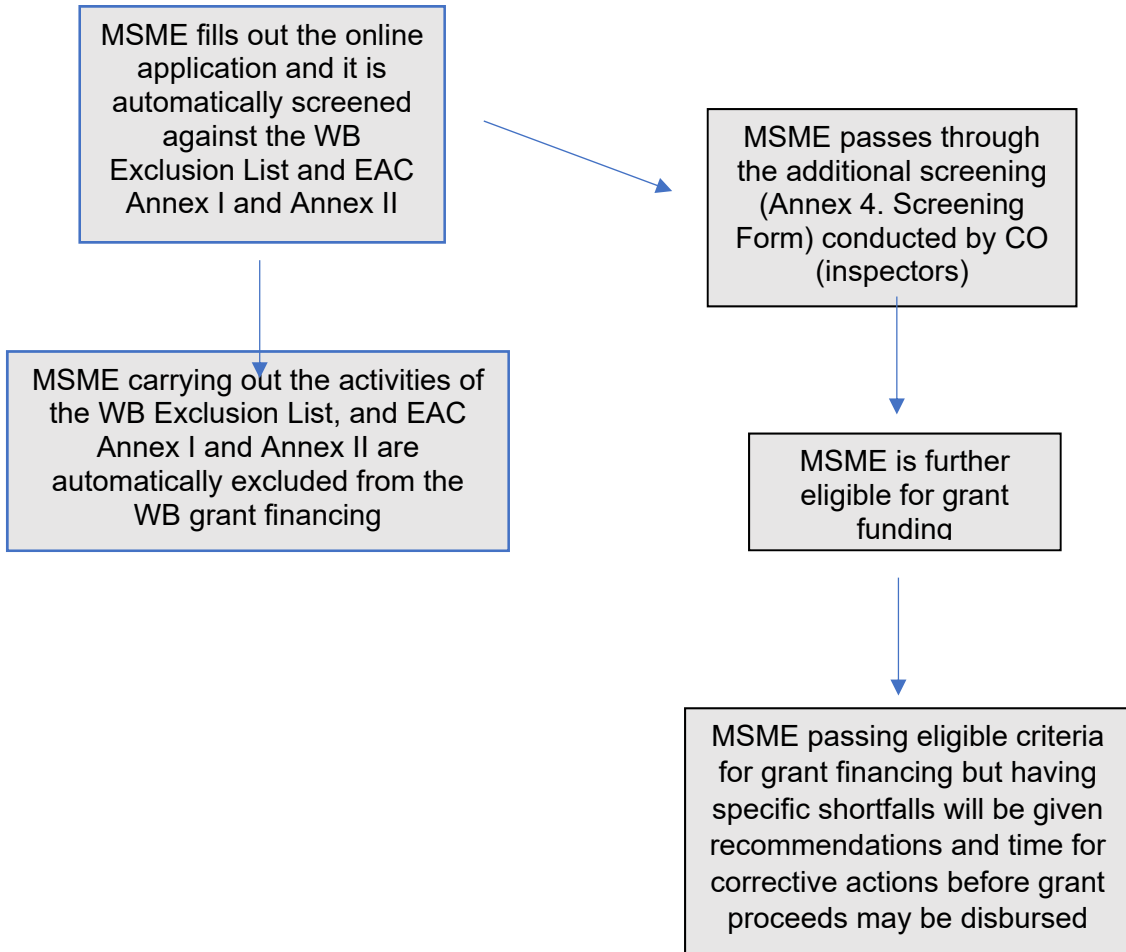
If CO's designated staff is unsure about the completeness, reliability, or quality of the provided application/documentation or suspects any tangible social or environmental risks, the Environmental and Social Specialists of EG will further review the application and provided documents.

As a result of screening:

- MSMEs not meeting all financing conditions under subcomponent 1.1 of the Project will not seek grant funding from the Project proceeds. If applicable, EG may consider funding such MSMEs from sources other than the World Bank-financed Project.
- MSMEs mostly meeting conditions of grant financing but having specific shortfalls (e.g., missing permits/licenses, incomplete consistency with LMP, etc.) will be given a time for corrective action to be undertaken before grant proceeds may be disbursed to them. Disbursement will be conditional upon CO certifying that an applicant has fully addressed outstanding issues.

MSMEs meeting all environmental and social requirements will be unconditionally recommended to receive grant proceeds.

Screening Applications under Subcomponent 1.1.



Screening Subprojects Under Subcomponents 1.2. and 1.3.

Beneficiaries of Component 1.2. and 1.3. will be screened on a "pass-or-fail" basis using several criteria provided in [Annex 5, Part 1](#). The following types of investments are not eligible for financed:

- a. Activities/business operations included in the World Bank Group Financing Exclusion List ([See Annex 3](#)) activities;
- b. Activities/business operations carried out by a company-sanctioned in the course of this activity for violating environmental, community, and/or occupational health and safety, and/or labor laws/regulations;
- c. Activities/business operations that require permits/licenses⁴ according to the national legislation, but the applicant does not hold them;
- d. Activities/business operations carried out by a company not having the proof of owning all land premises on which financed activities will take place;
- e. Activities/business operations leading to economic or physical displacement of people due to land acquisition,
- f. Activities/business operations carried out near or in the nationally and/or internationally designated protected areas, and protected zones in general, or designated cultural monument or plot bordering the territory of a regional or national cultural monument;
- g. Other aspects of an activity/ business operation that could create a risk could be considered a disturbance to local communities during ordinary operations or in special circumstances.

As a result of screening:

- MSMEs not passing any eligibility screening criteria will not be considered for the World Bank-support Project financing.
- MSMEs passing eligibility screening are subject to risk categorization to define the scope of applicable environmental and social due diligence.
 - ✓ Activities listed in Annex I of the EAC of Georgia will be categorized as **high-risk** and excluded from the financial support of the Project.
 - ✓ Activities listed in Annex II of the EAC of Georgia will be categorized as **substantial risk**.

If the environmental decision is required for such activities, MSME may receive funding from the proceeds of the Project if he/she holds a positive environmental decision of the MEPA. Alternatively, MSME should provide Screening Decisions of the MEPA on the exemption from

⁴ Permits/licenses refer to any permit or Environmental Decision, license, agreement/contract, or relevant documentation established/bidding to the company/MSME by the national environmental legal and regulatory framework of Georgia. Validity/relevance of provided permits/licenses will be reviewed and assessed case by a case basis.

the EIA procedure. If an application is turned down due to the absence of an environmental decision, it may be reconsidered for approval later once the MEPA's decision is obtained.

For **substantial risk** activities, relevant PFI staff will follow their corporate ESMS if it aligns with the WB's ESF or the present ESMS in conducting environmental and social risk assessment of incoming applications ([See Annex 5, Part 2](#)). Based on the findings of risk assessment, relevant PFI staff will prepare an activity-specific Environmental and Social Action Plan (ESAP) and make implementation of this Plan contractually binding for the beneficiary MSME. The ESAP will lay out measures to mitigate activity-specific environmental and social risks and/or define corrective measures to be undertaken by the beneficiary MSME to address existing shortfalls. The ESAP will also specify how PFI will monitor implementation of the prescribed risk mitigation measures and/or corrective actions. Adherence to ESAP will be included in the terms of contract to be signed between a PFI and a beneficiary MSME.

Substantial risk activities may or may not be subject to EIA and obtaining conclusion of its expert review by MEPA. Beneficiary MSME must hold either a positive conclusion on EIA or MEPA's resolution on its redundancy based on the screening outcome. At the risk assessment stage, relevant PFI staff will identify a need for applying additional due diligence to the management of environmental and social risks of each individual substantial risk activity to ensure its material consistency with the relevant ESSs of the World Bank. ESAPs prepared by PFIs for substantial risk activities will include risk management and impact mitigation measures to meet conditions of MEPA's conclusion (if issued) as well as measures to ensure consistency with relevant ESSs of the World Bank.

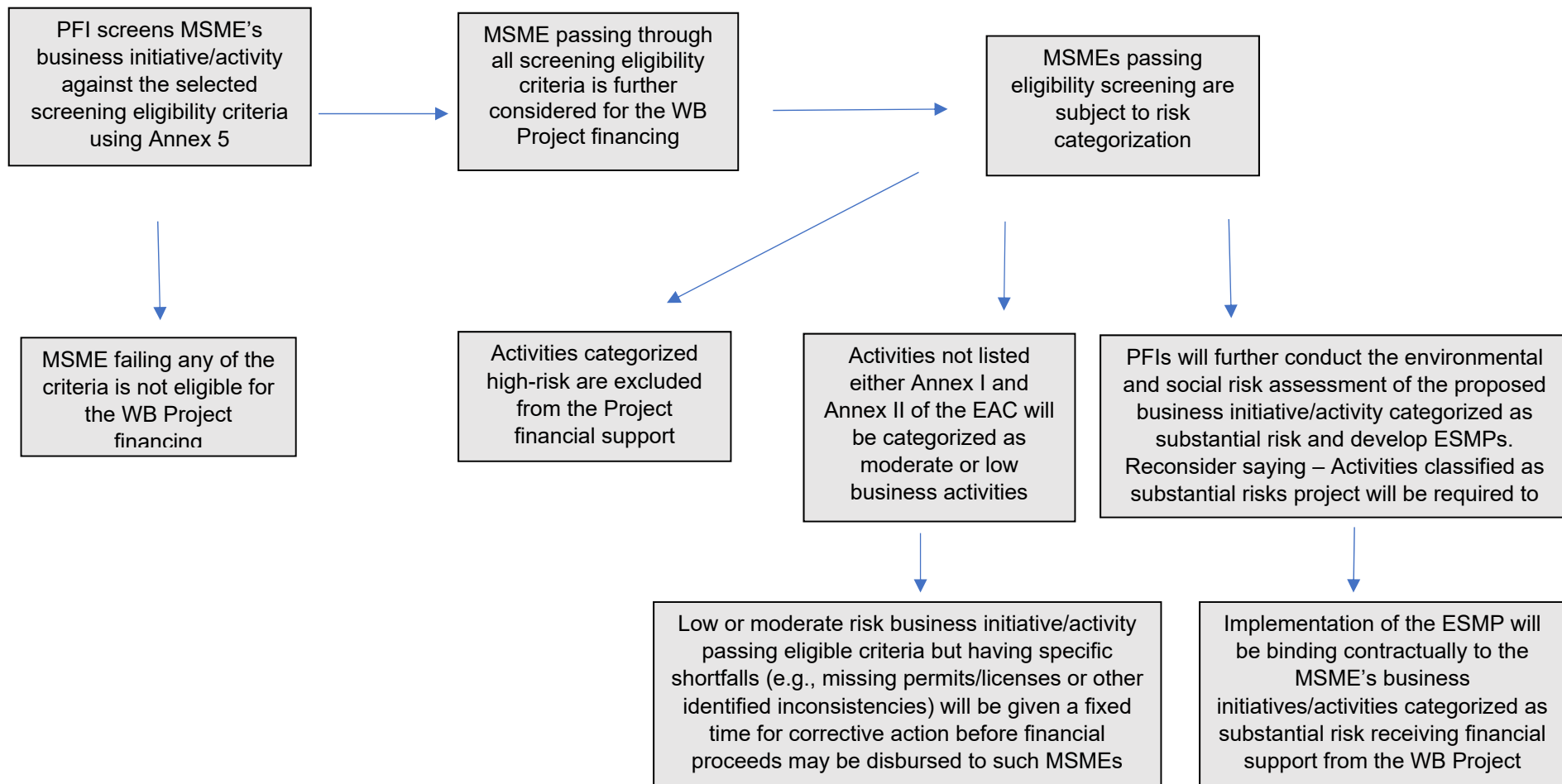
Activities not listed in either Annex I and Annex II of the EAC will be categorized as **low or moderate risk** and be further addressed following the corporate ESMS of a PFI or the current ESMS.

For those MSMEs categorized as having **low or moderate risk** operations, in case of any shortfalls (e.g., missing permits/licenses or identifying any environmental and social risks), the designated staff of PFIs should define and include correction measures. The correction actions should include but are not limited to obtaining all relevant permits/licenses or taking other corrective actions, e.g., establishing adherence to Project GRM and/or LMP mechanisms and incident reporting requirements as part of the contract conditions between PFIs and MSME beneficiaries.

PFIs should contractually bind the Project beneficiaries to be accountable for the accurate and timely engagement of local communities and labor to raise and address their concerns on negative environmental and/or social aspects (e.g., nuisance from noise, odor, vibration, littering, lack or violation of health and safety measures, etc.) resulted from the implementation of Project financed activities. Project beneficiary MSMEs will be responsible for reporting to PFIs in case of any incidents.

If the PFIs designated staff is unsure about the consistency, reliability, or quality of the assessment and provided documentation and is hesitant about risk categorization and/or approval of MSME for funding, the E&S Specialists of EG should further review MSME business initiative/activity and provided documentation.

Screening applications under Component 1.2. and Component 1.3.



5.2 Environmental and Social Management Planning

The substantial risk subproject may cause damage or have adverse effects if they neglect possible environmental and social risks. This could imply the generation of dust, noise, and waste, degradation of land and its vegetation cover impact to community health and safety, risks to labor if appropriate working conditions and relevant health and safety measures are not taken, etc. Therefore, in this case, the development of an Environmental and Social Management Plan (ESMP) is required to specify measures for mitigating possible negative environmental and social impacts. ESMP should be included in respective contracts so that their implementation is mandatory for the Project beneficiaries carrying out substantial risk activities.

With the purpose to develop ESMP, the designated staff of PFIs should identify potential critical environmental and social risks/impacts, relevant mitigation measures to avoid or mitigate those risks/impacts, parties responsible for applying mitigation measures and undertaking implementation monitoring. It is essential to name specific stages and/or activities requiring mitigation and prescribe particular requirements for preventing, avoiding, or minimizing the potential impacts/risks associated with an individual activity.

The ESMP should also provide concrete, measurable indicators against which the success of prescribed mitigation measures will be measured. It should also cover all subproject implementation stages, starting from general conditions, e.g., obtaining relevant permits/licenses to the stages such as planning and design, mobilization / demobilization of the site, activity implementation phase covering renovation / construction, and operation phase, activity handover, etc.

The range of mitigation actions proposed could be broad and diverse, including mitigation measures to prevent or reduce noise, dust, or odor generation; air, water, or soil pollution; use of pesticides (relevant to agricultural enterprises); the proper storage, handling, and disposal of liquid and solid waste, including toxic/hazardous waste or chemicals; actions related to sustainable use of natural resources and proper protection of habitats and biodiversity (if applicable); resource and energy efficiency measures, and use of renewables; management of risks related to labor and working conditions, occupational health and safety, disturbance to communities, etc.

Additionally, key mitigation measures might be related to the ability of all citizens, especially vulnerable and disadvantaged groups, to receive information, engage with, and benefit from the Project/subprojects equitably, and access the project grievance mechanism.

Project participating PFIs in coordination with EG (if needed) will review and assess MSMEs activities/operations for their potential social and environmental risks/impacts using their corporate environmental and social risk assessment checklists or current Environmental and Social Risk Review Checklist ([See Annex 5, Part 2](#)).

The environmental and social review checklist is intended to assess activity/operation-specific baseline conditions, including applicable environmental and social requirements. Besides, it helps to identify potential environmental and social risks/impacts associated with planned activity(s) and

process(es) and develop ESMP that can effectively avoid or mitigate the identified potential impacts adhering to the World Bank ESSs and national legislation. The template of the proposed ESMP is provided in [Annex 6](#).

If PFIs are in doubt about whether a planned activity/operation requires the preparation of ESMP, they should contact EG for further assistance.

5.1. Environmental and Social Monitoring

Through the contract agreements, EG will ensure COs and PFIs undertake timely and relevant monitoring of beneficiaries, including site visits.

COs will carry out three onsite monitoring mission. The missions will verify that the projects of beneficiaries are being implemented according the E&S Screening Form and are consistent with the environmental & social management requirements. Findings will be documented through photos and other related documents.

PFIs will conduct monitoring of beneficiaries to ensure that subprojects are implemented in accordance to environmental & social management requirements and follows the ESMPs, if applicable.

COs and PFIs will provide copies of all environmental permits/licenses, grievance logbooks of any nature, stakeholder consultation records, feedback forms, incident reports, photo materials and submit them to EG. The EG will also conduct random onsite monitoring of beneficiaries to adhere to the recommended remediation/correction requirements and mitigation measures set out in ESMPs. In case of identifying any outstanding environmental and social issues and non-compliances, the EG, in cooperation with COs and PFIs, will instruct beneficiaries on the corrective measures and closely monitor their progress.

[Annex 7](#) of the ESMS carries an environmental and social monitoring checklist for the use by COs and PFIs to document outcomes of monitoring undertaken in the course of subprojects implementation. The checklist should be adjusted to specifics of the activity and remediation/mitigation measures and indicators defined for a particular beneficiary. The COs and PFIs should comment and define correction measures and reasonable times for improving environmental and social non-compliances.

6. Reporting

Documenting outcomes of Project beneficiaries' environmental and social performance assessment and reporting them to EG and the World Bank are mandatory. COs and PFIs should collect information from beneficiaries reflecting the quality and extent of the application of risk mitigation measures, including those prescribed by ESMPs, where applicable. Information provided should be supported with dated photo material taken on the activity site and other relevant documentation e.g., permits/licenses.

The COs and PFIs should provide compliance reports to EG. COs' reporting will follow the schedule of monitoring missions. PFIs should provide quarterly compliance reports to EG. The COs and PFIs should notify EG about the performance of beneficiaries on the implementation of environmental and social aspects e.g., environmental noncompliance and assigned corrective measures, information on public grievances, incidents, stakeholder engagement consultations, and other elements ([See Annex 8](#)).

EG will review provided reports and notify COs and PFIs of any additional corrective actions required from their side.

Besides, COs and PFIs will be contractually obligated to immediately (no later than 48 hours) report to EG on any health and safety incidents that have become known to them. Towards this end, COs and PFIs shall include in contractual agreements signed with Project beneficiaries under subcomponents 1.1., 1.2., and 1.3. the requirement of prompt reporting on health and safety incidents. The template for any ad-hoc notifications (on incidents, etc.) from beneficiaries to COs and PFIs is provided ([See Annex 9](#)).

EG will report to the World Bank semi-annually on overall environmental and social performance and progress, including more comprehensive, analytical information on the status of environmental and social risk management under the Project, including an overview of deviations/violations of ESMPs (where applicable) encountered over the reporting period, instructions given to the COs and PFIs for addressing any weaknesses or identified issues, and follow-up actions on the revealed outstanding matters.

The EG staff will be responsible for prompt notification of the World Bank on any incidents, emergencies, and unforeseen issues which may occur in the course of works and directly or indirectly affect the environment, natural resources, personnel of works providers, and or communities residing in the vicinity of a subproject site. This requirement is mandatory regardless timeliness of reporting.

7. Stakeholder Engagement and Consultation

The main objective of Stakeholder Engagement and Consultation for the Relief and Recovery MSMEs Project is to effectively engage with all stakeholders under Component 1 who have an interest in or may be affected by the Project. The involvement of the local population, MSME owners, as well as all other interested parties is essential to the success of the Project, to ensure smooth collaboration between project staff and local communities, minimize and mitigate environmental and social risks related to the Project, as well as expand project benefits to all targeted beneficiaries including ones that may be traditionally vulnerable, disadvantaged, disproportionally affected or excluded from partaking in benefits from local development projects.

The SEP outlines the target groups, stakeholder engagement methods, and responsibilities in implementing stakeholder engagement activities under Component 1. The SEP intends to activate the engagement of stakeholders on time during project preparation and implementation. Specifically, SEP serves the following purposes:

- i. stakeholder identification and analysis;
- ii. planning engagement modalities and effective communication tools for consultations and disclosure;
- iii. defining the role and responsibilities of different actors in implementing the SEP;
- iv. defining the Project's GRM, and
- v. providing feedback to stakeholders;
- vi. monitoring and reporting on the SEP.

The SEP seeks to define an appropriate approach to identify relevant stakeholders and achieve their full engagement.

COs and PFIs will assign GRM officer / Citizen and Stakeholder Engagement Manager, who acts as legitimate representatives of their respective stakeholder group and advocates the groups' interests in the process of engagement with the Project.

The SEP aims to improve and facilitate the decision-making process and includes the active involvement of stakeholders and other parties. The SEP helps manage communications between EG and its stakeholders. SEP document is included in this ESMS ([See Annex 10](#)).

8. Grievances Redress Mechanism

The main objective of a GRM is to resolve complaints and grievances in a timely, effective and efficient manner that satisfies all parties involved. Specifically, it provides a transparent and credible process for fair, effective, and lasting outcomes. It also builds trust and cooperation as an integral component of broader community consultation that facilitates corrective actions.

Specifically, the GRM:

- provides affected people with avenues for making a complaint or resolving any dispute that may arise during the implementation of the projects;
- ensures that appropriate and mutually acceptable redress actions are identified and implemented to the satisfaction of complainants;
- supports accessibility and transparency in handling complaints and grievances;
- manages time factor (avoids the need to resort to judicial proceedings).

There are three types of GRM operated for the purpose of the Project:

- EG's GRM on environmental and social matters which will be available to the project stakeholders, local communities, and all the Project affected parties; The procedure is described in the SEP annexed to this ESMS;
- Grievance Redress Mechanisms for each PFI – procedures will be developed or provided by the relevant Project PFIs (if existing);
- Grievance policy and procedures for the Project employees, which will be the part of LMP Annexed to this ESMS.

Grievance mechanism designed for the Project is part of the SEP annexed to this ESMS ([See Annex 10](#)).

7. Labor Management Procedures

The EG developed this LMP to manage risks and impacts under the Project, for which the World Bank is providing financial assistance. The LMP identifies the main labor requirements and risks associated with the Project and is designed to enable project-related parties to understand what is required on a specific labor issue.

The LMP lays out the Project's approach to meeting national requirements, as well as the objectives of the World Bank's Environmental and Social Management Framework (ESMF), specifically "Environmental and Social Standard 2: Labor and Working Conditions (ESS2) and Environmental and Social Standard 4: Community Health and Safety (ESS4).

This LMP sets out the terms and conditions of employment for employing or otherwise engaging workers on the Project, specifies the requirements and standards to be met, and policies and procedures to be followed, assesses risks, and proposes the implementation of compliance measures. The LMP is developed to help avoid, mitigate, and manage risks and impacts to workers and ensure non-discrimination, equal opportunity, protection, fair treatment, and safe and healthy working conditions. The LMP is a living document to facilitate project planning, preparation, and implementation. It is anticipated that the document will be updated as additional information becomes available during project implementation, including labor and working requirements, the timing of project activities, and associated due diligence and social risk management. LMP is included in this ESMS ([See Annex 11](#)).

Annexes

Annex 1. Annex I to the Law of Georgia on the Environmental Assessment Code⁵

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

⁵ For the latest version of Annex 1 of the EAC, please, visit the Legislative Herald of Georgia <https://matsne.gov.ge/en/document/download/3691981/1/en/pdf>

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. Production and/or enrichment of nuclear fuel;
 - 4.2. Processing of irradiated nuclear fuel or high-level radioactive waste;
 - 4.3. The final disposal of irradiated nuclear fuel;
 - 4.4. Storage of irradiated nuclear fuel or radioactive waste outside the production site if it is planned to store them for more than three 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: annual production of more than 20 000 tons of asbestos- cement products; 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 fertilizers (simple or compound fertilizers);
 - 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 of 1600 m or more.
11. Construction of motor roads of international or intrastate significance.
12. Reconstruction and/or modernization 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 a load capacity of more than 1350 tons.
15. Construction and operation of seaports and loading and unloading piers connected to the 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.
18. 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 2. Annex II to the Law of Georgia on the Environmental Impact Assessment Code⁶

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 freshwater 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 mega-watts;
- 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 mega-watts;
- 3.9. Installations for energy production using the power of wind and/or sea waves.

4. Production and processing of metals:

⁶ For the latest version of Annex 2 activities of the EAC, please, visit the Legislative Herald of Georgia <https://matsne.gov.ge/en/document/download/3691981/1/en/pdf>

- 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 a 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 motorized 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 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 protection works, except for the reconstruction of such structures).

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 3. 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 4. E&S Risk Screening Form for micro-grant subprojects
1.1)**

(Subcomponent

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 is undertaken by:		Date:		
I hereby declare that:		Yes	No	Comments
1.	I have not been fined or otherwise sanctioned in the course of activity for violating environmental, community and/or occupational health and safety, and/or labor laws/regulations;			
2.	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;			
3.	The proposed activity does not lead to economic or physical displacement of people due to land acquisition;			
4.	The proposed activity implemented isn't located in a nationally and/or internationally designated protected area or 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 are "No," the application is ineligible for grant funding.				
If responses to questions 1-4 are "Yes", the applicant is considered for subsequent stages of selection.				

Environmental and Social Screening

CONCLUSION:		PASSED		FAILED	
PASSED WITHRECOMMENDATIONS: (Please, describe what are the conditions – correction actions to be taken, by whom and when)					

Annex 5. E&S Risk Screening Form for Subprojects (Subcomponents 1.2 and 1.3)⁷

Project Name:	Location:		
Address:	Contact Person and Telephone:		
Industry:	Activity:		Facility Size and Type:
Type of Project (tick ×):	New	Extension	Existing
			E&S Risk Category: High Substantial Moderate/Low <i>Comment:</i> High-risk activities will be excluded from the Project financing
Date of Site Visit:	Prepared/Updated by:		
	Position:		

⁷ Instructions:

- Please provide as much information as possible in the 'additional information section to support the responses provided
- 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:
 - <http://firstforsustainability.org/risk-management/understanding-environmental-and-social-risk/risk-by-industry-sector/>
 - www.ifc.org/ehsguidelines

Project or Activity Description⁸:

Part 1: Environmental and Social Screening

	Question/ risk	Yes	No	N/A	ADDITIONAL INFORMATION (Please provide additional information to support all responses)
1. Risks related to site location					
1.1	Are the activities carried out by micro or small businesses included in the World Bank Group (WBG) Financing Exclusion List?				
1.2	Activities/business operations carried out by a company have been sanctioned or will be potentially sanctioned in the course of this activity for violating environmental, community, and/or occupational health and safety and/or labor laws/regulations?				
1.3	According to the national legislation, do the activities/business operations require permits/licenses, but the applicant does not hold them?				
1.4	Will activities/business operations be carried out by a company not owning all land premises legally on which				

⁸ Please provide a summary of the key issues after completing the questionnaire and include a categorization for the Project. Please, insert photo materials if applicable.

	financed activities will take place?				
1.5	Will activities/business operations be carried out near or in the nationally and/or internationally designated protected areas, and protected zones in general, or designated cultural monument or plot bordering the territory of a regional or national cultural monument?				
1.6	Are there any other aspects of an activity/business operation that could create a risk or could be considered as a disturbance to local communities during ordinary operations or in special circumstances?				

Part 2: Environmental and Social Risk Review Checklist

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)				
2.3	Has the company paid excess charges or fines/penalties for noncompliance with HSE regulations and standards in the last two years? (Please attach copies of the 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 the magnitude				
2.5	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 the management system, and once any of the items 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 labor management 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 				
4.	Environmental issues				
4.1	<p>Check issues related to air emissions, and once any of the items 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 a proper filter <input type="checkbox"/> Air emissions are not monitored 				
4.2	<p>Check issues related to wastewater effluents, and once any of the items 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 				

	<p>regulatory authorities for exceedance of established limits for wastewater discharge</p> <ul style="list-style-type: none"> <input type="checkbox"/> No wastewater treatment facilities or 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, leakages of liquid wastes, smell, no designated areas for waste storage and etc.) <input type="checkbox"/> No contracts/permits 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>4.4. Water quality changes and impacts - once any of the items are selected, please specify a corrective action or explain why it is not needed</p> <ul style="list-style-type: none"> <input type="checkbox"/> Does the activity result in increased ground or surface water extraction? If so, what are the volumes? Permit requirements? <input type="checkbox"/> Does the activity discharge domestic or industrial sewage to the surface, groundwater, or publicly-owned treatment facility? <input type="checkbox"/> Does the activity result in increased volumes of stormwater run-off and/or is there potential for discharges of potentially 				

	<p>contaminated (including suspended solids) stormwater?</p> <ul style="list-style-type: none"> <input type="checkbox"/> Does the activity result in the runoff of pesticides, fertilizers, or toxic chemicals into surface water or groundwater? <input type="checkbox"/> Does the activity result in the discharge of livestock wastes such as manure or blood into surface water? <input type="checkbox"/> Does the site require excavation, placing of fill, or substrate removal (e.g., gravel) from a river, stream, or lake? 				
	<p>4.5.Land-use changes and impacts - once any of the items are selected, please specify a corrective action or explain why it is not needed</p> <ul style="list-style-type: none"> <input type="checkbox"/> Does the activity require onsite storage of liquid fuels or hazardous materials in bulk quantities? <input type="checkbox"/> Does the activity result in natural resource extraction? <input type="checkbox"/> Does the activity alter the viewshed of area residents or others? 				
5.	<p>Safety issues - once any of the items are selected, please specify a corrective action or explain why it is not needed</p>				
	<ul style="list-style-type: none"> <input type="checkbox"/> 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. 				

	<input type="checkbox"/> Check if contractors on-site observe all the necessary HS construction measures such as manufactured scaffolding, working at height, housekeeping, PPE wearing, storage of materials, removing the construction wastes, etc.				
6.	Labor issues				
	<input type="checkbox"/> Does the company have a Labor Management and Grievance Policy and procedures consistent with the requirements of the national labor laws? Please highlight the major policies covered.				
	<p>Check the labor issues, and once any of the items 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/onsite 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 the minimum age <input type="checkbox"/> Child or forced labor <input type="checkbox"/> No process for employees to 				

	<ul style="list-style-type: none"> voice complaints <input type="checkbox"/> No recognition of employee organizations/labor unions <input type="checkbox"/> No Grievance Logbook in place 				
7.	Social issues				
	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Land acquisition required <input checked="" type="checkbox"/> Displacement/resettlement of local communities <input checked="" type="checkbox"/> Impact on local settlements/livelihood <input checked="" type="checkbox"/> Complaints from neighbors/communities <input checked="" type="checkbox"/> On or adjacent to the site of cultural/archaeological importance <input checked="" type="checkbox"/> Vulnerable groups or persons with disability 				
<p>SUMMARY of the main E&S issues <i>(Please provide the summary of issues associated with the client's business that needs to be addressed through the proper E&S management (please, add a page if needed))</i></p>					
<p>Environmental and Social Management Plan (ESMP)</p>					
<p>ESMP is not Required</p>			<p>ESMP is Required. <i>If so, please, fill out relevant ESMP using corporate ESMP or Annex 6 of this ESMS below</i></p>		
<p>Additional Comments:</p>					

Standard E&S clauses – a guide to be included in facility agreements between PFIs and sub-borrowers *(Particularly for PFIS who will be developing new ESMSs). Please see the 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 prevent liability under any environmental law.*

Annex 6. Sample Environmental and Social Management Plan

<p>Activity</p> <p><i>List all the processes that comprise the activity(s)</i></p>	<p>Identified Environmental and Social aspects/ Impacts</p> <p><i>A single process may have several potential impacts - provide a separate line for each</i></p>	<p>Mitigation Measure(s)</p> <p><i>For each impact, describe the mitigation measures that will avoid or adequately minimize the impact</i></p>	<p>Monitoring Indicator(s)</p> <p><i>Specify indicators to (1) determine if mitigation is in place and (2) if it is effective</i></p>	<p>Monitoring & Reporting Frequency</p>	<p>Party(ies) Responsible</p>
<p><i>1. Community and labor health and safety</i></p>	<p><i>Impact on the community</i></p>	<p>Informing affected communities on the upcoming works and associated risks e.g., any temporary disruptions that may occur during the activity(s) implementation</p>	<p>Number of incidents/accidents occurred</p> <p>Complains/grievances from community members</p> <p>Feedbacks received from the community</p> <p>Visual inspection of the site</p>	<p>Monthly</p>	<p>Beneficiary MSME</p> <p>Work Contactor (if applicable)</p>
<p><i>2.</i></p>					
<p><i>n.</i></p>					

Annex 7. Environmental and Social Monitoring Checklist

Activity and Site location					
Name of contractor MSME, identification number					
Name of supervisor filling the checklist					
Date of the site visit					
Status of works					
Documents and activities to be examined <i>Please, list correction/remediation measures recommended or mitigation measures proposed by the ESMP and check the status of their implementation</i>	Status				Comments
	Yes	Partially	No	N/A	

Annex 8. Progress Report Template to EG

Progress Report

To: Enterprise Georgia

Prepared by:

Date:

Content

Introduction

- ✓ Implementation Progress
 - Overall Progress

- ✓ Financial Management and Disbursements
 - Disbursement status

- ✓ Challenges encountered and solutions/Success stories

- ✓ Environmental Aspects
 - General environmental performance
 - Environmental noncompliance and assigned corrective measures
 - Implementation status of corrective measures

- ✓ Social, Gender and stakeholder engagement aspects
 - General performance
 - Nature and number of grievances, incidents;
 - Nature and number of feedbacks received;
 - Redress made/actions taken and progress

- ✓ Labor management and health and safety issues
 - General performance
 - Nature of non-compliances
 - Actions taken and progress

Annexes:

Photo materials:

Annex 9. Incident Report Form

Name of reporter:

Institutional affiliation of reporter:

Date of report:

Name of the Project:

Name of the creditor/grant recipient:

Name of responsible project manager:

Names of environmental and social specialists assigned to the Project (if any):

Question	Response	Resolution	Comment
Preliminary classification of the incident (see Box 1 below)			
What was the incident? What happened? To what or to whom?			
Where and when did the incident occur?			
When and how did we find out about it?			
Are the basic facts of the incident clear and uncontested, or are there conflicting versions? What are those versions?			
What were the conditions or circumstances under which the incident occurred (if known at this stage)?			
Do evidence of the occurred incident exist?			
Is the incident still ongoing, or is it contained?			
Is the loss of life or severe harm involved?			
Is EG aware of the incident? What is their response to date?			
What measures have been or are being implemented by the creditor/Contractor?			

Annex 10. Stakeholder Engagement Plan

WORLD BANK-FINANCED PROGRAM

Georgia Relief and Recovery for MSMEs and Jobs

Stakeholder Engagement Plan

March 2020

Updated - December 2021

Acronyms

EBRD	European Bank for Reconstruction and Development
ECM	External Communication Mechanism
EG	Enterprise Georgia
ESMF	Environmental and Social Management Framework
ESMS	Environmental and Social Management System
GBV	Gender-based Violence
GEA	Georgian Employers' Association
GRC	Grievance Redress Commission
GRM	Grievance Redress Mechanism
HORECA	Hotel, Restaurant, and Catering
IFC	International Finance Corporation
LEPL	Legal Entity under Public Law
LMP	Labor Management Procedure
MSME	Micro, Small and Medium-Sized
MoESD	Ministry of Economy and Sustainable Development
PAP	Project Affected Person
PAI	Project Area of Influence
PFI	Participating Financial Institutions
SEP	Stakeholder Engagement Plan
SEA/SH	Sexual Exploitation and Abuse and Sexual Harassment

1 Introduction

Enterprise Georgia (EG) is a government economic development Agency operating under the Ministry of Economy and Sustainable Development of Georgia.

Its ultimate mission is to support the achievement of long-term strategic goals of the Georgian economy through three major pillars. Namely:

- Enterprise Georgia – Business
- Enterprise Georgia – Invest
- Enterprise Georgia – Export

The agency focuses on increasing the competitiveness of private sector, enhancing country's export potential and promoting/supporting foreign direct investments in Georgia.

The Business 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.

The Export 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.

The Invest 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 Invest division is to attract, promote and develop direct foreign investments in Georgia. It serves as a “One-stop-shop” for investors to support companies before, during & after investment process.

EG also has established a department for strategic development and communication in 2020 and its primary role is to communicate and cooperate with relevant business associations, organizations, and other stakeholders. The department also promotes cooperation between the beneficiaries of the Agency, development of cooperation mechanisms between different sectoral clusters and companies, as well as cooperation between local companies and foreign investors.

2 Purpose of SEP

The Stakeholder Engagement Plan (SEP) for the Relief and Recovery for Micro, Small and Medium-Sized Enterprises (MSMEs) Project is developed in accordance with the World Bank requirements. The objective of the SEP is to effectively engage with all stakeholders under component 1, who have an interest in or may be affected by the Project.

The involvement of the local population, MSME owners, as well as all other interested parties is essential to the success of the project, to ensure smooth collaboration between project staff and local communities, minimize and mitigate environmental and social risks related to the project,

as well as expand project benefits to all targeted beneficiaries including ones that may be traditionally vulnerable, disadvantaged, disproportionately affected or excluded from partaking in benefits from local development projects.

The purpose of the present SEP is to outline the target groups and methods of stakeholder engagement and the responsibilities in the implementation of stakeholder engagement activities, under component 1. The intention of the SEP is to activate the engagement of stakeholders in a timely manner during project preparation and implementation. Specifically, SEP serves the following purposes:

- i. stakeholder identification and analysis;
- ii. planning engagement modalities and effective communication tools for consultations and disclosure;
- iii. defining role and responsibilities of different actors in implementing the SEP;
- iv. defining the Project's Grievance Mechanism (GRM); and
- v. providing feedback to stakeholders;
- vi. monitoring and reporting on the SEP.

The SEP seeks to define an appropriate approach to identify relevant stakeholders and achieve their full engagement. The goal of this SEP is to improve and facilitate decision making process and includes active involvement of stakeholders and other parties. The SEP is a useful tool for managing communications between EG and its stakeholders.

3 Project Description

The development objective of the Project is to contribute to the economic relief and recovery of micro, small and medium sized enterprises impacted by the COVID-19 pandemic crisis. This is an EBRD lending operation in the amount of EUR 85 million, equivalent to USD 100 million. The project is directly aligned to Pillar 3 (Ensuring Sustainable Business Growth and Jobs Creation) and Pillar 4 (Rebuilding Better) of the World Bank Group's COVID-19 Crisis Response Approach.

The project consists of the following components:

- a. Component 1 – Financial relief and recovery for MSMEs
- b. Component 2 – Digital payments & financial infrastructure upgrading
- c. Component 3 – Project management and monitoring
- d. Component 4 – Contingent Emergency Response Component

The Project will be implemented nationwide. Component 1 will provide micro-grants to finance working capital and fixed assets for MSMEs, as well as to co-finance interest rates charged on loans underwritten by participating financial institutions (PFIs) and underwrite loan guarantees for loans issued by PFIs. It will also support both the design and the provision of technical

assistance for firms to adjust to the new normal via the adoption of relevant managerial, digital and other COVID-proofing practices.

Component 2 will finance TA and investments to facilitate innovations for new payment options for financial institutions and increase the speed of retail transactions, such as the introduction of instant payments system (IPS) and establishing consolidated Know-Your-Customer (KYC) registry. Component 2, will be implemented by National bank of Georgia and Ministry of Economy and Sustainable Development of Georgia, and will also finance TA aimed at strengthening the regime for moveable collateral registration and execution, so that the current collateral reliance of land and real estate can be relaxed for MSMEs allowing them to use other forms of collateral. An initially zero-funded Contingent Emergency Response Component (CERC) is also included in the Project design, to be activated upon Borrower's request in case of emergency surge of pandemic.

4 Summary of Prior Stakeholder Engagement Activities Relevant to the Project

EG has active engagement experience with its stakeholders. The table below summarizes the types of stakeholders, format, objectives, and outcomes of the engagement.

Table 1: Summary of prior stakeholder engagement activities relevant to the project

Date & Location	Stakeholders	Format & Objectives	Outcome
Pre-COVID 19 Consultations for original program design by EG.			
2014 – 2019. All Regions	Enterprises, Sole Proprietorships	Informational meetings The objective was to provide information on the agency's programs / support Mechanisms	Information on EG programs was provided to more than businesses and individuals
2014 – 2019. Tbilisi & Regions	Commercial Leasing companies on the regional Level	Face-to-face workshops Present of EG's Industrial and Hotel industry sectors	Awareness building of Priorities and criteria. Workshop participants approx. 2,500 bank company
2014 - 2020	Relevant business Associations	Provide information on the agency's support Mechanisms	Distribution of updated information among business associations
2015 - 2020	EG beneficiaries	Workshops, Trainings and business-to-business Meetings	Awareness building in management, Marketing and etc. 6,600 beneficiaries.

Consultations by EG on modifications to original program design, necessitated by COVID-19			
2020 Jun - Jul	Business associations and beneficiaries	Informational meetings, EGs updated support program presentations, discussions	Awareness building on new programs, and consultations related
2020 Sep - Oct	LEPL Public Service Hall (employees of public service)	Online Workshops and trainings	Detailed training about Industrial Component and “Micro and Small Enterprises”
2021 Feb-Mar	Commercial banks (largest potential PFIs)	Virtual meetings with as many as 14 prospective PFIs to inform them of the E&S requirements of the project and obtain their feedback. Electronic circulation of draft ESMF for feedback.	Fourteen Prospective PFIs informed on ESMF requirements, and ESMF adjusted to reflect feedback from PFIs.

In June and July of 2020, EG facilitated virtual discussions with the business community and enterprise associations and the World Bank, in order to understand the key challenges firms were facing in the lockdown phase. These discussions included key associations of firms/associations in key sectors for the Georgian economy, including real estate and construction, health, hotel, restaurant, catering (HORECA), and exporting firms. These discussions have informed the design of Component 1 activities in particular, both with respect to access to finance, but also on possible COVID-proofing interventions to strengthen firm managerial practices and digitalization.

Between February 1 and March 10, 2021 Enterprise Georgia facilitated virtual discussions with 14 potential PFIs in the country with participation of the World Bank to inform them about the project, environmental and social requirements, find out more details about the readiness of the financial institutions to become PFIs under the project, and seek their feedback on the draft Environmental and Social Management Framework (ESMF) of the project. Overall, prospective PFIs were positive about the project and supportive of the environmental and social sustainability objectives of the project. Some of the PFIs have Environmental and Social Management Systems (ESMSs) based on the IFC Performance Standards and EBRD Performance Requirements. Others do not and they noted they would require technical assistance for the development of environmental and social management systems in order to comply with project requirements (including an external communication mechanism). Based on this, the project design includes an allocation for such technical assistance. A summary of persons and institutions consulted from financial institutions and the status of their internal environmental and social management systems and policies is presented in Annex I.

5 Stakeholder Identification and Analysis

Project stakeholders under component 1 are defined as individuals, enterprises, groups or other entities who:

1. are impacted or likely to be impacted directly or indirectly, positively or adversely, by the Project (also known as ‘affected parties’); and
2. 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.

Cooperation and negotiation with the stakeholders throughout the Project development also requires the identification of persons within the groups who act as legitimate representatives of their respective stakeholder group, i.e. the individuals who have been entrusted by their fellow group members with advocating the groups’ interests in the process of engagement with the Project. Community representatives may provide helpful insight into the local settings and act as main conduits for dissemination of the Project-related information and as a primary communication/liaison link between the Project and targeted communities and their established networks. Verification of stakeholder representatives (i.e. the process of confirming that they are legitimate and genuine advocates of the community they represent) remains an important task in establishing contact with the community stakeholders.

To meet best practice approaches in order to identify project stakeholders, the following principles for stakeholder engagement are used:

- Openness and life-cycle approach: public consultations for the project(s) will be arranged during the whole project life cycle, carried out in an open manner, free of external manipulation, interference, coercion or intimidation;
- Informed participation and feedback: information will be provided to and widely distributed among all stakeholders in an appropriate format; opportunities are provided for communicating stakeholders’ feedback, for analyzing and addressing comments and concerns; (Template of the feedback form is attached to this SEP Annex 1)
- Inclusiveness and sensitivity: stakeholder identification is undertaken to support better communications and build effective relationships. The participation process for the projects is inclusive. All stakeholders are encouraged to be involved in the consultation process, to the extent the current circumstances permit. Equal access to information is provided to all stakeholders. Sensitivity to stakeholders’ needs is the key principle underlying the selection of engagement methods. Special attention is given to vulnerable groups, in particular women, youth, elderly, persons with disabilities, and the cultural sensitivities of diverse ethnic groups.

The Project has stakeholders from government, private sector, citizens of the certain region/village and a range of other interested parties. For the purposes of effective and tailored

engagement, stakeholders of the proposed project can be divided into the following core categories:

Affected Parties – persons, groups and other entities within the Project Area of Influence (PAI) that are directly influenced (actually or potentially) by the project and/or have been identified as most susceptible to change associated with the project, and who need to be closely engaged in identifying impacts and their significance, as well as in decision-making on mitigation and management measures. These will include, among others:

- Individual Entrepreneurs, including micro entrepreneurs (although there is no formal definition in Georgia for a micro entrepreneur)
- Small Enterprises and their employee workers
- Medium Enterprises and their employee workers
- Female Entrepreneurs and their employee workers
- MSMEs owned by disadvantaged groups, including physically disabled entrepreneurs and their employee workers
- Entrepreneurs in remote rural areas and mountainous regions and their employee workers
- Communities and general public where project investments are made, who may be potentially affected by the activities of project beneficiaries.

Other Interested Parties – individuals/groups/entities that may not experience direct impacts from the Project but who consider or perceive their interests as being affected by the project and/or who could affect the project and the process of its implementation in some way. This will include among others:

- Micro-finance organizations
- Associations of micro-finance organizations
- Commercial banks and leasing companies
- Community organizations, such as Local Action Groups in selected municipalities
- NGOs/Contractors
- Ministry of Economy and Sustainable Development of Georgia
- National Bank of Georgia

- Georgian Local Governments
- National Tourism Administration
- Public Service Hall
- Rural Development Agency
- Georgian Chamber of Commerce and Industry
- Banking association of Georgia
- Business Association of Georgia
- Georgian Small and Medium Enterprises Association
- Georgian Hotel and Restaurants Federation
- Georgian Distribution Business Association
- Georgia Tourism Association
- Georgian Producers' Federation
- Georgian Employers' Association (GEA)
- Georgian Cement Producers Association
- Georgian Association Women in Business
- Women business Council in Georgia
- Georgian Producers' Association
- Georgian Retailers Association Women for Tomorrow
- Georgian Farmers' Association
- Export Development Association
- Georgian Pharmacists Association
- Packaging Manufacturers Association of Georgia (PMAG)

Vulnerable Groups – persons who may be disproportionately impacted or further disadvantaged by the project(s) as compared with any other groups due to their vulnerable status and/or that may require special engagement efforts to ensure their equal opportunity to benefit from the Project, as well as equal representation in the consultation and decision-making process associated with the Project. These include among others:

- Female Entrepreneurs
- Persons with Disabilities - PWDs
- Internally Displaced Persons –IDPs
- Startup business
- Resident from rural areas
- Residents of remote and high mountain regions
- Poor and unemployed persons
- Youth - as persons between the ages of 18 and 29
- Projects orientated toward developing intellectual services and inclusive sectors or accommodation and tourism projects

Where other affected parties, interested parties, and vulnerable groups are identified in the course of the project implementation their needs will also be taken into consideration and reflected in the SEP document.

6 Stakeholder Engagement Plan

The SEP envisages that consultation meetings will take place with relevant interested parties prior to the commencement of the Project as well as during the project implementation, on an as-needed basis.

Consultation and engagement activities are required to address current stakeholder suggestions, ideas or concerns. For example, the platform programs.gov.ge, which is the part of state program “State your Partner”, offers different types of consulting services online or in more than 24 Public Service Halls and 86 Community Centers throughout Georgia. Additionally, consultations will take place using other online platforms, such as zoom and webex, following national guidelines on social distancing and other measures given the COVID-19 pandemic.

There are a variety engagement technique used to build relationships with stakeholders, gather information and consult with various parties. Below listed are some of the prominent techniques EG will utilize to engage with relevant stakeholders:

Table 2: Engagement techniques used by EG

Project Stakeholders	Engagement Technique	Appropriate application of the technique
Affected and Other Interested Parties	Correspondence /Official Letters , Phone Calls/SMS	Distribute general information of the project to Government officials, NGOs local Government, commercial banks, leasing companies, beneficiaries and relevant business associations and etc.
Vulnerable Groups	Phone calls, SMS/ or other applicable techniques	Distribute project general information to vulnerable groups equally considering their status of vulnerability;
All Project Affected Parties	Meetings about the program implementation	Present the draft version of the program information to a specific group of stakeholders; Depending on the COVID_19 epidemiological situations and targeted audience, meetings might be either online or face to face; Record Minutes of meetings and take photos; Give everyone possibility to comment and share feedback; Facilitate meetings with presentations and/other communication methods;
All Project Affected Parties	Update information on the website	Present information and updates about the program. Disclose relevant project documentation

		and one-pagers, annual reports and impact assessments Share relevant social media promotions, digital campaigns and video materials.
All Project Affected Parties	Printing Materials	Permanently distribute Project booklets / sub-project leaflets and other printing materials with project updated information

Records of all public consultations and its outcomes will be kept and short descriptions (one-pagers) will be created. (Sample of the Records template is attached to the SEP Annex 2). Engagement with stakeholders will continue throughout the lifecycle of the Project, and records of environmental and social issues raised, and complaints received during consultations, field visits, informal discussions, formal letters, etc., will be followed up. The records will be kept in the project office at EG. The project will ensure that the different activities for stakeholder engagement, including information disclosure, are inclusive and culturally sensitive.

Measures will also be taken to ensure that the vulnerable groups outlined above will have the chance to participate and benefit from project activities. This will include among others, household-outreach through SMS, telephone calls, social media etc., depending on the social distancing requirements, in communities with high concentration of these groups. Further, while country-wide awareness campaigns will be established, specific communications within the program “State your Partner” in every region will be timed according to the need, and also adjusted to the specific local circumstances of the region. Where face-to-face meetings, consultations, workshops or trainings are conducted effort will be made to conduct them in convenient locations accessible by public and private transport, and in buildings accessible to persons with disability. If the meetings have to be conducted in hard-to-reach places (ex. High mountain regions), support from local government in transportation arrangement will be needed or the meetings might be conducted virtually. Enterprise Georgia and the organizations contracted for the implementation of micro-grant activities under the project will ensure that outreach and consultation activities are age- and gender-balanced and conduct tailored outreach if women and youth-led businesses or entrepreneurs belonging to a potentially disadvantaged group are underrepresented in such events. For this purpose, EG and contractor organizations will include in their information dissemination plans civil society groups such as women’s associations, associations for persons with disabilities, minority groups, etc., as relevant in the particular region.

For engagement with all stakeholders and utilization of relevant mechanisms, EG has developed the below matrix, which showcases, each program, target stakeholders, methods and topics of engagement, period of communication.

Table 3: Stakeholder Engagement Plan

Target stakeholders	Topic(s) of engagement	Method	Frequency	Relevant program sub-components
<p><i>Individuals, citizens of Georgia who have reached the age of 18</i></p>	<p>Introduction of EG Program Information;</p> <p>Receiving Feedback about the program development;</p> <p>Providing information about annual reports and impact assessments;</p>	<p>Information is distributed through the EG web-site</p> <p>Feedback received and responded through the call center and online chat</p>	<p>On Regular bases depending on the specific of the particular sub-project</p>	<p>Sub- Component 1.1. “Micro and Small Business Support program”</p>
<p><i>Contractor organizations and their employee: grant reviewers, trainers, and monitoring inspectors</i></p>	<p>Discussions about the draft version of the program;</p> <p>Instructions for application submission</p> <p>Training on E&S standards;/capacity building activities</p> <p>Nominating GRM Focal point and/or Stakeholder Representative</p> <p>Communication with Local Government to distribute information about the program;</p> <p>Receiving Feedback about the program development;</p> <p>Providing information about annual reports and impact</p>	<p>Initial Communication (Phone, E-mail)</p> <p>Information meetings about the program;</p> <p>Correspondences through the project cycle (Phone, Emails);</p> <p>Stakeholder Engagement Meetings;</p> <p>Digital and Social media information campaign;</p> <p>Printing Material;</p>	<p>After program enters into force;</p> <p>During drafting changes in the Decree;</p> <p>Through the project preparation, implementation and monitoring phase.</p>	

	assessments;			
<p><i>Legal entity registered in accordance with the Law of Georgia and meets the criteria of the program defined by the Decree;</i></p> <p><i>Private Sector;</i></p> <p><i>Business Associations</i></p> <p><i>Tourism Administration</i></p>	<p>Introduction of EG Program Information;</p> <p>Receiving Feedback about the program development;</p> <p>Providing information about annual reports and impact assessments;</p>	<p>Initial Communication (Phone/SMS, E-mail), through the EG web-site online chat or call center</p> <p>Digital and Social media information campaign;</p> <p>Printing Material;</p>	<p>During drafting changes in the Decree;</p> <p>After program enters into force;</p>	<p>Industrial Component</p>

<i>PFI</i> s	<p>Introducing Project E&S Standards and Procedures;</p> <p>Bring PFI's internal E&S Standards in compliance with the WB ESS (if applicable);</p> <p>(if not) offering TA for ESMS development</p> <p>Nominating GRM Focal point and/or Stakeholder Representative</p> <p>Conducting trainings / capacity building activities</p> <p>Receiving Feedback about the program development;</p> <p>Providing information about annual reports and impact assessments;</p>	<p>Project information Meetings</p> <p>Correspondences through the project cycle (Phone, Emails);</p> <p>Stakeholder Engagement Meetings</p>	<p>On Regular bases depending on the specific of particular sub-project</p> <p>Through the project, preparation, implementation and monitoring phase</p>	<p>1.2. Co-financing financing of interest payments</p> <p>1.3. Credit guarantee mechanism</p>
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7 Resources for implementing stakeholder engagement

The budget for planned stakeholder engagement activities for the year 2022.

Planned Activities	Budget (GEL)
Producing videos about EG's programs	100,0

Posting videos about the programs of EG trough the	105,000
Digital Campaign and Social Media Promotion	80,00
Printed materials about the programs, directions and beneficiaries	31,000
Information meetings with stakeholders about EG's support mechanisms and subprograms	35,000
Photo shooting service	12,00
Program printed materials	5,000
For the changes and amendments in anti-crisis plans and programs at EG	20,000

8 Grievance Redress Mechanism

The main objective of a Grievance Redress Mechanism (GRM) is to assist to resolve complaints and grievances in a timely, effective and efficient manner that satisfies all parties involved. Specifically, it provides a transparent and credible process for fair, effective and lasting outcomes. It also builds trust and cooperation as an integral component of broader community consultation that facilitates corrective actions.

Specifically GRM:

- Provides affected people with avenues for making a complaint or resolving any dispute that may arise during the course of the implementation of the projects;
- Ensures that appropriate and mutually acceptable redress actions are identified and implemented to the satisfaction of complainants;
- Supports accessibility and transparency in handling complaints and grievances;
- Manages time factor (avoids the need to resort to judicial proceedings (at least at first)).

Complaint and grievances are divided in this manner:

- Complaint: an expression of dissatisfaction that is related to an impact caused by a project activity, which has adversely affected an individual or group. The interests of an individual or group wants a proponent or operator (or contractor) to address and resolve it (e. g. problems related to dust deposition, noise or vibration). A complaint is normally of a less serious nature than a grievance; and
- Grievance: a claim raised by an individual or group whose livelihood, health and safety, cultural norms and heritage are considered to have been adversely affected (harmed) by a project activity which, if not addressed effectively, may pose a risk.

As a Legal Entity under Public Law, the grievance practice at EG is based on the General Administrative Code of Georgia. As part of the project, EG will modify the GRM practice to

allow a PAP (Project Affected Person) to complain about any decision about concerns regarding the project. All types of grievances will be recorded by the GRM. Anonymous grievances will also be accepted, recorded, and investigated to the extent feasible.

Multiple channels for receiving grievances will be provided including by phone, email, mail, web-based comment box, grievance logbook and in person EG's contractor organizations. Written complaints/grievances will also be recorded and processed via the GRM. A project / GRM brochure will be prepared and allocated on EG website. COs will be fully trained by EG on the grievance receipt and processing to ensure functioning of the Project GRM.

GRM will include following Steps:

Step 1: Submission of grievances either in writing via through telephone hotline/mobile, mail, social media (FB etc.), website, grievance logbook via a contractor organization and directly to the EG. The GRM will also allow anonymous grievances to be raised and addressed

Step 2: Recording of grievance, classifying the grievances based on the typology of complaints and the complainants in order to provide more efficient response, and providing the initial response immediately as possible. The typology will be based on the characteristics of the complainant (e.g., vulnerable groups, persons with disabilities, people with language barriers, etc.) and also the nature of the complaint.

Step 3: Investigating the grievance and communication of the Response within 30 days. Complaints will be referred to a Grievance Redress Commission (GRC) within EG. The GRC will be established by order of the EG director and comprise Project Management Team and/or any other members defined according to the business line. The preference is given to the unit, which is closer to the specifics of the case. The GRC will investigate the complaint as needed and inform the PAP of the decision.

Step 4: Complainant Response: either grievance closure or taking further steps if the grievance remains open. If grievance remains open, complainant will be given opportunity to appeal to the MoESD (according to Administrative Code of Georgia). If complainants are not satisfied with the outcome of the appeal, they will be able to resort to filing their case through the judicial system.

Handling of sexual exploitation and abuse and sexual harassment (SEA/SH) issues. Enterprise Georgia has a protocol for handling SEA/SH grievances, putting in place mechanisms for confidential reporting with safe and ethical documenting of gender-based violence issues. The protocol is attached to the LMP -Annex 3SEA/SH Grievance Mechanism: DOS and DON'TS, which is part of the ESMS.

Further, the GRM - including via contractor organizations and PFIs - will include requirements to immediately notify both EG and the World Bank of any gender-based violence (GBV) complaints, with the survivor's consent. The protocol will be accompanied by training for all project GRM focal points on using the protocol; this training will be integrated in any capacity building activities for contractor organizations and PFIs. The protocol and any related awareness-raising and training materials to GM focal points will be reviewed by the World Bank.

The GM will provide an appeal process if the complainant is not satisfied with the complaint's proposed resolution. Once all possible means to resolve the complaint have been proposed and if the complainant is still not satisfied, they should be advised of their right to legal recourse.

A detailed grievance log will be maintained and submitted to the Bank along with regular progress reports or upon request by World Bank team. The grievance log book template is presented and attached to this SEP (Annex 3).

All information regarding the grievances submitted during the project implementation, received complaints and ways and means for their effective and timely solution will be collected in the annual reports prepared by EG and submitted to the World Bank.

LEPL Enterprise Georgia

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PFI's will develop and implement 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. If PFI's do not have ECM in place, EG will provide technical assistance in developing it together with Grievance Log, Incident Reporting and Feedback forms.

9 Monitoring and Reporting of the SEP

The SEP will be periodically revised and updated as necessary in the course of project implementation in order to ensure that the information presented herein is consistent and is the most recent, and that the identified methods of engagement remain appropriate and effective in relation to the project context and specific phases of the development. The SEP will be monitored by the stakeholder engagement manager. Any major changes to the project related activities and to its schedule will be duly reflected in the SEP. Quarterly summaries and internal reports on public grievances, enquiries and related incidents, together with the status of implementation of associated corrective/preventative actions, will be collated by the designated COs and PFI's GRM officer / Citizen and Stakeholder Engagement Manager, and referred to the senior management of the project. The template of the report form is attached to this SEP (Annex 4). The quarterly summaries will provide a mechanism for assessing both the number and the

nature of complaints, incident, feedbacks and requests for information, along with the Project’s ability to address those in an adequate, timely and effective manner. Information on public engagement activities undertaken by the Project during the year may be conveyed to the stakeholders in two possible ways:

- An annual report on project’s interaction with the stakeholders.

-Monitoring of a beneficiary feedback indicator on a regular basis. The indicator will be determined in the updated SEP and may include: number of consultations, including by using telecommunications carried out within a reporting period (e.g., every 6 months or annually); number of public grievances received within a reporting period (e.g., every 6 months or annually) and number of those resolved within the prescribed timeline; number of press materials published/broadcasted in the local, regional, and national media.

Further details on the SEP will be outlined in the updated SEP, to be prepared and disclosed within 30 days after the project effectiveness date.

10 Summary of the Consultations with the PFIs on ESMF

EG, with the support of the World Bank team, has undertaken three rounds of consultations with the PFIs. In December 2020, main objective was to understand whether PFI has an ESMS in place. In February 2021, detailed conversations were held with those PFIs that have an ESMS in place to understand their current system and differences with the World Bank’s E&S requirements. Draft ESMF was shared with those Banks. In March 2021, follow up consultations took place with all Banks to gauge their interest to implement project ESMF. Latest version of the ESMF was also shared.

With the aim to update above-mentioned information and schedule further cooperation meetings, EG had additional correspondence with PFIs in November 2021. It occurs that some of the institutions have also adopted ESMS lately, therefore the below table is updated accordingly.

	PFI	Has ESM	Dates of	Final	Contact Person
Banks					
1	TBC Bank	Yes	9 December 2020 5 February 2021 5 March 2021		Ioseb Rostomashvili, Head of Corporate Business Portfolio Management Unit, Environmental and Social Risk

2	Bank of Georgia	Yes	12 December 2020 1 February 2021 5 March 2021		Ketevan Mumladze, Head of Social and Environmental Risk Unit, Credit Risk Department
3	Liberty Bank	Yes	18 December 2020 5 March 2021	8 November 2021	Temo Jorbenadze, Deputy CEO Corporate Banking
4	VTB Bank Georgia	Yes	9 December 2020	5 November 2021	Giorgi Gvazava, Risk Department
5	ProCredit Bank	Yes	8 December 2020 2 February 2021 5 March 2021		Ketevan Kekelashvili, Head of Environmental Management
6	Basis Bank	Yes	8 December 2020 1 February 2021 9 March 2021		Sophio Sachaleli, Head of Compliance Unit
7	Cartu Bank	Yes	8 December 2020	5 November 2021	David Nikolaishvili, Director of Risk
8	Credo Bank	Yes	11 December 2020 1 February 2021 4 March 2021		Nato Ghudushauri, CSR Manager
9	Tera bank	Yes	15 December 2020 3 February 2021 4 March 2021		Giorgi Kartvelishvili, Head of Credit Risk and
10	Halyk Bank	Yes	21 December 2020 9 March 2021	5 November 2021	Paata Andriashvili, Head of Credit Risk Department
11	Pasha Bank	No	22 December 2020 9 March 2021		Maka Gvritishvili, Head of Product Development
12	Is Bank	Yes	8 December 2020 5 February 2021 9 March 2021		Khatia Babukhadia, Head of Financial Institutions Division
13	FINCA Bank	Yes	24 December 2020 3 February 2021 9 March 2021		Desman Lataria

	PFI	Has ESM	Dates of	Contact Person
14	Ziraat Bank	No	21 December 2020 10 March 2021	Levan Vadachkoria, Credit Allocation and Management
Leasing Companies				

1	TBC Leasing	Yes	16 December 2020	Tornike Egnatashvili, Head of Financial
2	Georgian Leasing	Yes	18 December 2020	Davit Gogoladze, head of business leasing
Microfinance Institutions (MFIs)				
1	Crystal	No	28 December 2021	Maya Kobalia, Head of Environmental and
2	Swiss Capital	No	31 December 2021	Giorgi Kereselidze, Senior Manager
3	Lazika Capital	No	29 December 2021	Besik Shengelia, General Director
4	MBC	No	29 December 2021	Nino Devdariani, Chief Risk Officer
5	Leader Credit	No	28 December 2021	Zaza Narakidze, General Director
6	Geocredit	No	28 December 2021	Giorgi Naskidashvili, CEO

Annexes

Annex 1. Feedback Form

Place and format of the consultation: -----

Consultation Date -----

Number of participants -----

Number and category of vulnerable group members (if applicable) -----

Topics Discussed:

-
-

Questions raised:

-
-

Feedbacks received:

-
-

Comments –

-
-
-

Concerns -

-
-
-

Stakeholder Representative:

EG Representative:

Annex 11. Labor Management Procedure

Labor Management Procedures

Georgia: Relief and Recovery for MSMEs Project

Enterprise Georgia

December 2021

Abbreviations and acronyms

COs – Contractor Organizations

EG – Enterprise Georgia

ESMF – Environmental and Social Management Framework

ESS – Environmental and Social Standard

ESMS – Environmental and Social Management System

GIIP – Good International and Industry Practices

GRM – Grievance Redress Mechanism

HR – Human Resource

LC – Labor Code

LMP – Labor Management Procedures

LTI – Lost Time Injuries

MSMEs – Micro, Small and Medium-Sized Enterprises

MoESD – Ministry of Economy and Sustainable Development

MoILHSA – Ministry of Internally Displaced Persons from the Occupied Territories, Labor, Health and Social Affairs for Georgia

NCDC – National center for disease control and public health

OHS – Operational Health and Safety

PFI – Participating Financial Institutions

PIU – Project Implementing Unit

PMT – Project Management Team

SEA/SH – Sexual Exploitation and Abuse/Sexual Harassment

SPD – Standard Procurement Document

WB – World Bank

WHO – World Health Organization

1. Introduction

These Labor Management Procedure (LMP) is developed by the Enterprise Georgia (EG) to manage risks and impacts under the Relief and Recovery for Micro, Small and Medium-Sized Enterprises (MSMEs) Project, for which the World Bank is providing financial assistance. The LMP identifies the main labor requirements and risks associated with the Project and is designed to enable project-related parties to have a clear understanding of what is required on a specific labor issue.

The LMP lays out the Project's approach to meeting national requirements, as well as the objectives of the World Bank's Environmental and Social Management Framework (ESMF), specifically "Environmental and Social Standard 2: "Labor and Working Conditions (ESS2)" and Environmental and Social Standard 4: "Community Health and Safety (ESS4)."

This LMP sets out the terms and conditions of employment for employing or otherwise engaging workers on the Project, specifies the requirements and standards to be met and policies and procedures to be followed, assesses risks and proposes the implementation of compliance measures. The LMP is developed to help avoid, mitigate, and manage risks and impacts in relation to project workers and ensure non-discrimination, equal opportunity, protection, fair treatment, and safe and healthy working conditions. The LMP is a living document to facilitate project planning, preparation, and implementation. It is anticipated that the document will be updated as additional information becomes available during project implementation, including in relation to workforce numbers and requirements, timing of project activities, and associated due diligence and social risk management.

2. Overview of Labor Use on the Project

The Project will involve **direct workers** (staff employed by EG, here and after named as Project Implementing Unit (PIU) and **contracted workers** (employees of Contractor Organizations (COs) and consultants providing technical advisory services). The Project will not utilize community workers.

Direct workers

PIU personnel, including technical staff hired on a consultancy contract to perform work related to procurement, financial management, health technical issues monitoring, and environmental and social standards.

Contracted workers

COs Employees involved in administering subcomponent 1.1

- Employees of any other contracted organization by PIU for purposes of project-financed activities.

Contracted workers will also be included in the LMP to ensure that they are provided with health and safety measures, and protection means in the workplace.

Employees of Participating Financial Institutions (PFIs) in the project will be bound by labor and working conditions provisions specified in the Environmental and Social Management System (ESMS) and/or HR policy and procedures of the respective PFI consistent with requirements under national law which will be reviewed and deemed acceptable to the World Bank. PFIs will 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 the grievance mechanism. 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.

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 conditions; and to take corrective measures if any non-compliance with national law is identified within their operations. For Substantial-risk activities, additional requirements consistent with national legislation ESS2 and ESS4 may be introduced to the commitments of the beneficiary MSME depending on the type of operations and industry-specific risks.

Type of workers	Number of project workers			Type of tasks	Necessary skills	Location
	staff	Employ/ Serv. Contr.	Total			
Direct workers						
Enterprise Georgia Central office (PIU)	84	0	84	Overall management of EG programs	Essential managerial skills	Tbilisi
Enterprise Georgia Project Management Team (PMT)	16	0	16	Project Implementation, Management and Monitoring	Field Specific Qualification and skill	Tbilisi
Contracted workers						
COs for lot 1	TBD	TBD	TBD	Grant reviewing, training and monitoring tasks	Thematically Specific Qualification and skills	Tbilisi
COs for lot 2	TBD	TBD	TBD	Grant reviewing, training and monitoring tasks	Thematically Specific Qualification and skills	
Total number of project workers						

In 2020, Enterprise Georgia had (CO's) for 5 lots. The number of employees in each CO's ranged from 7 to 14. The total number of employees of COs for all lots was 68, of which 44 (65%) were women.

In 2021 the selection criteria for CO's have been updated. EG will announce a tender for two lots, Eastern and Western Georgia, and select two COs to manage the implementation of the program in the respective regions. During recruitment, COs will announce an open competition for three thematically separate ToRs to shortlist grant reviewers, trainers, and monitoring inspectors. The number of employees in CO's and other relevant information will be provided after the selection of the respective Organizations. It is expected that the profile of contracted CO's for the project will be similar to the previous experience of Enterprise Georgia.

3. Assessment of Key Potential Labor Risks

Key Labor Risks. It is assessed that labor risks will be low and mainly associated with office work and probable exposure to the COVID-19 virus. In the event of such incidence, the infected

employee and its contacts will move to 2 weeks remote working regime. In case of negative PCR test result after 8 days, the employee will be able to come back to office premises. The following are key labor risks expected during the implementation of the project:

*Labor and occupational health and safety (OHS) risks associated with **direct workers**.* It is anticipated that direct workers (PIU staff) within the framework of the project would perform office operations primarily, in addition to occasional site visits to local communities. Therefore, health and safety risks of these workers are estimated as low. Risks such as excessive overtime hours, irregular wage payments, informal work are not expected.

*Labor and OHS risks associated with **contracted workers (employees of COs)**.* No new construction or reconstruction work is envisaged in the project. Small risks may be associated with transportation and installment of good and services brought through the project. These workers will also travel and interact directly with prospective beneficiaries, therefore may be exposed to some road safety risks.

Sexual exploitation and abuse (SEA) and Sexual harassment (SH) – in case of sexual exploitation or any kind of abuse towards the Project **direct workers** (PIU Staff), the case will be regulated by the EG Policy on Prevention of Sexual Harassment. If the abuse of specific nature occurs towards the **contracted workers**, they will apply to their internal policy or regulations (if such exists) or national legislation.

4. Brief Overview of Labor Legislation: Terms and Conditions

Provision of information and forms of employment contracts

As part of the pre-contractual relationship, the employer is required to provide the candidate employee with the information about the work to be performed, the type of employment contract (written or oral) and terms (fixed or open-ended, the working conditions, legal rights of the employee as part of the employment relationship and remuneration (Labor Code of Georgia 2013 (“LC”) - Article 11)

Employment contracts can be concluded in writing or orally, however contracts exceeding 1 month must be concluded in writing. The core terms of the employment contract are the date on which the employment commences and duration of the contract, working time and rest time, place of employment, position and job description, remuneration and terms of payment; overtime and relevant remuneration rates, paid and not paid holidays (LC article 12).

The Labor Code regulates part-time work and defines a part-time worker as an employee whose normal working hours are less than working hours of a full-time employee working on similar job during the week of over the course of labor relations of up to one year. (LC Article 16), ESS2 requirements apply to part-time workers, as well, including the requirement for the provision of information and contracts.

Wages and deductions

The Labor Code does not provide for minimum wage. The presidential decree sets out 40 GEL as a minimum wage (President Order No 351, dated 4 June 1999, amended 2006).

Remuneration and regularity of payments are generally agreed and determined by the parties to the employment contract. However, in the absence of such agreement, the law determines that remuneration should be paid once in a month. The employer will pay to the employee 0.07% of the delayed sum for each day of delay in remuneration or payment (LC Article 41).

The probation period which should not exceed 6 months should also be remunerated by the employer as per the parties' agreement (LC article 17).

Internal employment regulations, if adopted by the employer, should determine amongst other things the time, place and procedure for remuneration payments. The internal policy should be communicated to employees (LC article 23).

The employer may deduct from an employee's remuneration any overpayments or other amounts payable by the employee to the employer, in accordance to the employment contract. However, such deductions should not exceed 50 per cent of the remuneration (LC Article 43). The employer will pay full compensation to the employee for work-related damage that caused any deterioration to the employee's health and will cover the subsequent, necessary treatment costs (LC Article 45.6).

Labour Code amendments of 2020 set a requirement for employers to ensure equal pay for women and men for equal work performed (LC Article 4.4).

Working hours

The Labor Code defines standard working hours as any period of time during which an employee works at the employer's disposal and fulfils its duties. The standard weekly working hours should not exceed 40 hours a week. The LC does not explicitly state that the working day is 8 hours.

For workplaces which fall under the specific operating conditions which require more than 8 hours of uninterrupted work process (the specific list of works is to be determined by the Government of Georgia on the basis of consultations held with social partners) (the law allows 48 working hours per week, without it being considered as overtime work).

The normal working hours does not include breaks and rest periods. (LC Article 24). Additionally, if employer's activities require an uninterrupted working process, then shift work can be considered, however the employer should grant at least 12 hours of rest in between shifts (LC Article 25).

Working hours for children between 16-18 years are limited to 36 hours per week and for children between 14-16 years to 24 hours a week maximum (LC Article 24).

There is no strict limitation for shift workers, apart from the fact that the duration shall be determined by a shift schedule made up by an employer and which is based on work specificities and it is prohibited to work in two consecutive shifts. The requirement for 12-hour minimum rest between shifts (as per LC, Art 24 above) apply. The employer should notify the employee about

the shift schedule at least 10 days in advance, unless that is impossible during an emergency (LC article 25).

Working at night (night is considered to be between 22:00 and 6:00) is prohibited for minors, pregnant women, women who recently gave birth, nursing mothers. Express consent is required for official caregivers of children under the age of 3, as well as persons with disabilities to work at night (LC article 28).

Overtime

There is currently no limitation as to the maximum overtime per week. Overtime is considered to be the time in which the work is performed by the employee based on the agreement between the parties during the period which goes beyond the normal weekly working hours, such as 40 hours, and 48 hours in sectors regulated by the secondary regulation, as well as 36 and 24 respectively for minors (with a maximum of 2 hours per day and 4 hours per week), and is subject to compensation on hourly basis at an increased pay rate, subject to the agreement of the parties but together with the monthly remuneration payable after the performance of the overtime work. Instead of overtime compensation payment, additional leave days can be provided but no later than 4 weeks after the work has been performed, unless that is impossible due to reasonable factors in place (LC Article 27). The law does not explicitly provide what should be an increased pay rate for overtime.

Overtime is obligatory without payment only when it is required for prevention of natural disasters and/or elimination of underlying consequences; with adequate remuneration when it is required for prevention of industrial accidents and/or elimination of their consequences.

It is prohibited to request overtime for the following categories of employees without their consent: pregnant women, women who recently gave birth, persons with disabilities, minors, persons who have children younger than 3 years old, legal representatives of care takers of persons with disabilities.

Rest period

The Labor Code sets a requirement of a minimum of 12-hour rest between working days or shifts. (LC article 24.4)

In addition, there is a requirement for a minimum weekly rest – 24-hour uninterrupted rest period in a seven-day period, or if the parties agree, the employee may have two 24 -hour rest in a row (effectively 48 hours) in a 14-day work period. (LC Article 24.7)

Additional breaks are available for vulnerable groups such as nursing mothers and mothers with children under 12 months, who may benefit from additional one-hour break per day. This time is to be deemed as working time and is subject to regular remuneration (LC article 24).

Annual leave

The law sets a minimum of 24 paid working days per year as annual leave. Additional 15 calendar days could be taken as unpaid leave (LC article 21). Leave does not include a period of temporary disability, and maternity leave. There are around 13 public holidays determined by Labor Code and if work falls under these days, they must be deemed as overtime work for employees (LC

Article 30). Additional paid leave of 10 calendar days are provided for employees working under the harsh, harmful, or hazardous⁹ labor conditions (LC article 31.3).

Maternity leave

Paid Maternity and child-care leave is granted for 126 calendar days to women or 143 days in the event of complications or multiple births. This period may be spread between pregnancy and postnatal periods upon employees' discretion. Additional 604 calendar days may be requested as parental leave, of which 57 calendar days should be paid). The parental leave can be used by either the mother or the father of the child. Whilst the initial 143 days (maternity and child-care leave) is an exclusive right of the mother, any unused days from this category of leave can be utilized by the father (LC article 37). In the event of new-born adoption, when a child under 12 months is adopted, employee is entitled to 550 calendar days of leave, of which 90 calendar days are paid (LC article 38).

Further, the payment of the maternity, child-care leave and new-born adoption leave shall be paid from the state budget of Georgia in the form of one-off cash allowance, covering the duration of their paid leave, in the amount of GEL 1000. An employer and employee may also agree on additional payments in this regard (LC article 39).

Written Notice and payments on termination

The employer has an obligation to issue a prior written notice of 30 calendar days and make severance payment of at least one month's salary within 30 calendar days after terminating the contract. The employer may issue a prior written notice of 3 calendar days', however in this case the severance payment would be in the amount of at least two months' salary payable within 30 calendar days after terminating the contract. Accrued but unused annual holiday shall be paid to the employee in the event of termination of the contract (LC article 48).

Collective redundancy is defined as termination of employment agreement for 30 days by the employer which is not caused due to employee's behavior or by the expiry of the employment agreement and if at least 10 employees are made redundant (where there are between 20-100 employees in place) or not less than 10% are made redundant where there are more than 100 employees.

In the event of collective redundancies employers shall first of all launch consultations with employee unions. The employer must notify in writing the Ministry of Labor, Health, and Social Affairs of Georgia and the employees whose labor agreements are terminated, at least 45 calendar days before retrenchment. The redundancies become effective after 45 calendar days since the notification date (LC Article 49).

⁹ *The Resolution 381 of the Government of Georgia on approving the list of heavy, harmful and hazardous works with increased danger (July 2018)* provides an extensive list of sectors and types of works which are considered heavy, harmful and hazardous such as construction and civil construction related works, mining, extraction of metal, oil and natural gas, production of basic materials, production of electrical and transport equipment and machines, electricity and gas supply, chemical, rubber, plastic and pharmaceuticals production, timber processing, forestry related works, textile and furniture production, food production, works related to transport sector, works related to water supply, sewerage, waste management, and pollution cleaning.

The Labor Code does not provide for the formula for calculating severance payment in case of retrenchment.

In the event of transfer of an undertaking (merger or acquisition) existing employment agreement should not be terminated due to the transfer. Instead, all the employment rights and obligations born by the transferor are transferred on to the new employer. In such cases employees' associations should be informed of the upcoming transfer to ensure the smooth transfer of employees into a new form of the enterprise by participating in consultations on behalf of employees. The receiving counterparty shall therefore be obliged to respect the employment relations during the one year since reorganization. (LC Article 50).

Labor disputes

The law defines the procedure for individual disputes as conciliation and states that it must be resolved under conciliation procedures between the parties, implying direct negotiations between an employee and employer. If a party opts for this procedure, it should notify the other one in writing about initiation of conciliation procedure, along with statement of grounds for potential dispute and nature of claims. The other party will have 10 calendar days to respond. Third parties, such as employee representatives may get involved in this process in due course. Representatives or parties shall make a decision in writing that shall become a part of the existing labor agreement. Failure in reaching an agreement within 14 calendar days since the initial notification will enable the party to refer the dispute to court. If any of the parties has avoided participation in the conciliation procedure within those 14 days, the burden of proof shall fall on them for determining the facts of dispute (LC article 62). However, the conciliation procedure does not prevent employees to use available judicial mechanisms to protect their labor rights

Minimum age of employment

The minimum employment age is 16 years. Children under the age of 16 can enter into an employment agreement with the consent of their legal representative or custodian, given it does not harm them in any way and does not hold minors from acquisition of education. Children under the age of 14 can enter into employment only in connection to sports, arts, culture and performance of certain advertising work (LC Article 10). However, the law does not require employers to carry out additional risk assessment of working conditions for persons from 16 to 18 years and to implement additional protection measures.

Persons below the age of 18 are prohibited to be engaged in hazardous, harsh and harmful work and night work. Minors are prohibited from being employed in work relating to gambling, nightclubs, erotic or pornographic products, pharmaceutical and toxic substances.

Forced labor

The Labor Code prohibits forced labor (LC Article 2). In addition, Georgia ratified the ILO Forced Labor Convention, and the convention is currently in force. Law of Georgia on Combating Human Trafficking explicitly sets out prohibition of human trafficking and provides preventive measures as well as actions to be taken against trafficking across the country. The Criminal Code of Georgia lists different categories of trafficking as criminal offences and sets punishment ranging from 3 to 20 years imprisonment depending on specifics and circumstances of the offence.

In summary, there are several areas where national legislation is either partially aligned with ESS2, or the implementation modality is not well defined. The Labor Code does not prescribe the rate of increase for overtime work. There is no requirement for employers to carry out appropriate risk assessment when employing a child between ages of 16 and 18 years, as required by the ESS2, nor to monitor how the protective measures for young workers are implemented. While the Labor Code provides for an optional conciliation procedure, there is no specific requirement for employers to establish a workers' grievance mechanism.

The following issues are identified as a gap with ESS2: Labor and Working Conditions requirements. The Labor Code does not provide for a minimum wage. The limit on maximum overtime hours is not included in the law, and there is no clear provision on weekly rest period. The formula for calculating the severance payment in instances of collective redundancies is not provided, which may create a risk of social insecurity for workers who are dismissed. The law allows that termination payments and other statutory benefits are paid to the workers within 30 days for termination, while the ESS2 requires these payments to be made before the termination of employment.

5. Brief Overview of Labor Legislation: Occupational Health and Safety

The Constitution of Georgia establishes a fundamental right to safe working conditions (Article 26).

Georgia's Law on Labor Safety (2019 "LS") defines general principles of basic requirements and preventive measures that are related to occupational health and safety (OHS) at the workplace, the existing and anticipated risks, prevention of accidents and occupational diseases, training, informing, and consulting of the employees, and their equal engagement in the occupational health and safety protection issues.

The law applies to all areas of economic activity, including the labor relations as determined by the Labor Code and the Law of Georgia on Civil Service. The law applies also to category of workers who are employed for the period shorter than three months and do not have written contracts. The law does not apply to defense, intelligence, and security agencies nor to labor activities during the emergency and martial law.

Responsibilities of the Employer

To ensure due compliance with OHS, the employer is required to carry out risk assessment, which aims to identify hazards at the workplace and associated preventive measures. The employer is required to carry out risk assessment at all stages of work process, in order to eliminate or reduce possible risks, and should update the risk assessment document on regular basis. Risk assessment documents should be kept duly by the employer. The employer is required to develop and implement procedures to establish and maintain a safe working environment, including that workplaces, machinery, equipment and processes under their control are safe and do not imply risk to health. This also includes use of appropriate measures related to chemical, physical and biological substances and agents, and obligation to carry out periodic control of safety conditions and checking the status of technology/equipment.

Whenever avoidance of health and safety hazards is not possible, the employer shall provide appropriate protective measures. These measures include controlling the hazard at the source using

protective solutions and providing adequate personal protective equipment (PPE) at no cost to the employees.

Employers are obliged to assign safety officers to the workplace. A workplace with fewer than 20 employees may have one of the existing employees to additionally cover the health and safety compliance functions, provided that they have undertaken a certified training. Workplaces with 20 to 100 employees are required to employ at least one safety officer. As for the workplaces with over 100 employees, the law requires at least two safety officers.

The employer is responsible to provide OHS training to employees in language understandable to them on: a) general principles of health and safety as set out by the law; b) working procedures, equipment, machinery and manual and instructions for the use and repair of equipment; c) emergency situations and evacuation plans and their implementation activities; d) existing threats and risks and also on measures to be taken with regards to overcoming such situations. The training must be provided to employees a) at the start of their employment, but before they actually commence the work; b) in the event when employee is placed on another job; c) prior to the launch of new technological process and work methodology, as well as the use of new machinery and/or before the change in the production process; d) as part of the continuous training process, which requires conduct of training repeatedly.

The law does not explicitly require the employer to maintain training records. Trainings on occupational health and safety are delivered at employer's expense, and the time spend in training counts as working hours.

Subject to the size of the workplace, the employer is also responsible to provide the following information to its employees and employee representatives on: a) occupational risks and hazardous industrial factors which are specific to the workplace and which may potentially cause impact on health of employees and measures taken by the employee for prevention purposes; b) emergency situations, evacuation plans and activities to be carried out in the event of increased danger, as well as procedures and measures to be followed during accidents and fire; c) prohibitions on entering the premises, remaining in the premises or carrying out work, which may pose risk for life and/or health of employees.

Reporting on accidents, fatalities, injuries

The employer is responsible to record accidents, instances of professional diseases and dangerous accidents and provide such information to employees or their representatives upon request (LS Article 5.1). Initially the reporting obligation of accidents rests with employees, who are responsible to notify the employer of the accident immediately along with any relevant material information about the accident. The employer is then obliged to take immediate necessary measures in order to prevent further threat to health and life; preserve the workplace where the accident took place for formal investigation purposes, unless it is necessary to take measures to further protect life and health of workers or to prevent serious economic loss. During the first 24 hours from the accident, the employer should notify the relevant authorities including respective trade unions and employee representatives; law enforcement bodies (police) and Labor Inspectorate in cases of medium, severe, fatal and mass accidents.

The employer also has the responsibility to keep a log of accidents and occupational diseases at workplaces. The records of accidents should be provided to EG on permanent bases in the Incident Reporting Form (Attachment 1) In addition, the employer should keep evidence about medium gravity accidents, severe, fatal and massive accidents, which should contain data required for accurate description of accident if consequences of accident show up at a later stage.

Provision of workers' insurance in instances of injuries, fatalities disability and disease

LS Article 5.9 requires the employer to provide workers with insurance against accidents at employer's expense. This obligation applies only to workers who are employed in heavy, hazardous and dangerous works, as pre-defined by bylaw issued by the Minister of MoILHSA. The provision does not specify the instances as to accidents, fatalities, disabilities or injuries and is limited to accidents only. Accident is defined as an accident which took place during the working process or in connection to the working processes and which resulted in a health injury to the worker or a third person, limitation or loss of work ability, fatality case or declaration that the worker or other persons are missing. The employee is entitled to compensation for the damage as a result of the accident at a workplace, including professional injury. (LS Article 10.1.e)

However, the employer is exempted from liability, if the accident at the workplace was caused by circumstances which could not have been considered in advance or if it was beyond the control of the employer, or because of the predictable circumstances, which could not be prevented despite employer's attempts (LS Article 5.13)

Preventive and protective measures

At all stages of work the employer should assess risk and take necessary steps to eliminate or reduce risks to health by: a) making sure that the existing risks are being avoided; b) evaluating those risks and threats, which cannot be avoided; c) making sure that the risk factors are eliminated or reduced; d) given the possibility, replacing the risk factors with safe or less dangerous factors; e) elaborating a consistent safety policy of the preventive measure; f) adapting working environment to provide safe conditions for workers; g) ensuring uninterrupted and proper functioning of protection and control system; h) equipping the employees/other persons present at the workplace with necessary effective individual protection gear free of charge to protect their life or health, and ensure they are clean and in proper technical operational mode; i) ensuring preventive and periodic medical check-up of the employees; and j) restricting those employees from entering workplace who are under alcohol or drug influence (LS Article 6).

First aid facilities and fire safety

The employer is obliged to implement necessary measures in order to provide first aid, fire safety and evacuation, as well as establish immediate communication with emergency, ambulance services and respective authorities. The employer does not have the right to request an employee and other persons present in the work area to continue working as long as the increased or imminent threat is present. Employees shall not be put in the disadvantaged position for leaving work area and/or territory under the risk during the increased threat and should be protected from the negative consequences (LS Article 8).

OHS risks which may be specific to female workers

Article 5.7. Prohibits the employer from employing pregnant women or women who are breastfeeding, in positions, which may bear high risk or/and be harmful for the mother or child. The list of such jobs is determined by separate bylaw passed by the Minister of Labor in consultations with Tripartite Commission.

Right and responsibility to report unsafe situation, right to leave the workplace and prohibition of retaliation for reporting

Employees are responsible for reporting the unsafe situations to employers, including accidents and they are granted a right to report to occupational safety officer, labor inspectorate or employee representative if occupational health and safety regulations are not duly complied with (LS Article 10.1).

Employees have a right to refuse to perform task or instruction assigned by the employer, which is in contradiction with law, or which due to breach of occupational safety and health regulations may trigger risk for employees. Employees are entitled to leave the workplace in the event of danger (LS Article 10.1).

It is forbidden to dismiss an employee from their job, or to place them in a less advantageous position compared to other employees if such employees exercise rights of reporting or leaving the workplace during the threat of danger (LS Article 10.2).

Collaboration and consultations with project workers on OHS

Article 9 of the law is entirely dedicated to consultations and participations of employees in the issues of occupational health and safety. The employer has to make sure that employees and/or their representative are involved in the resolution of the issues, by holding consultations with them and granting employees with the right to bring up an issue of concern. The law recognizes the right of employees to elect a representative in order to participate in consultations on occupational safety and health.

In the event that employees of several workplaces work together, each employer involved in this work process is to cooperate with other employers with regards to compliance with occupational health and safety regulations as well as hygiene norms. The employers should also ensure the coordination of their activities according to the specifics of the work, with regards to the occupational health and safety risk prevention. Employers should also exchange and share relevant information regarding health and safety and professional risks. And finally, it should be ensured that employees and representatives of employees are duly informed of relevant issues (LS Article 5.8).

Facilities for workers

The law does not elaborate much on facilities and accommodation for workers. It is limited to general obligation of the employer to cover all the costs associated with the occupational health and safety and hygiene at workplace (LS Article 7). The law does not require separate facilities for men and women, and it does not address the requirements for workers' accommodation.

System for regular OHS review

Under a general requirement set out by Labor Safety Law, the employer has an obligation to ensure health and safety at workplace. As part of this obligation, employer needs to abide by the requirements set out by the law, make sure that employees' health and safety is not exposed to risks of negative impact. The law requires the employer to regularly carry out control of safety condition of technical equipment as well as maintenance and cleaning of the individual protection gear, proper use and if needed timely replacement of it. In addition the employer should be carrying out measurement and evaluation of such factors in the work environment as: a) physical factors (including temperature, humidity, speed of the air movement, heat emission; non-ionizing emissions; ionizing emission; industrial noise, ultrasound, infrasound, vibration, mostly hydrogenous aerosols (dust), inadequate lighting, air (gas) ions; b) chemical factors (including certain substances received as a result of chemical synthesis (antibiotics, vitamins, hormones, ferments, protein specimen) and/or those substances, which need the methods of chemical analysis for controlling them). The law requires employers to document occupational hazards and report on accidents. However, the law is not explicit about the requirements to document specific incidents such as project-related occupational injuries, illnesses, and lost time injuries (LTI).

While the Labor Safety Law addresses the main ESS2 and ESS4 requirements related to occupational health and safety, the coverage of certain requirements is partial. The law is applicable to all economic sectors, it does not require employers to keep the workers' detailed OHS training records, provide facilities including access to canteens, hygiene facilities, areas for rest separate facilities for men and women.

6. Responsible Staff

The PIU shall be responsible for overall supervision and coordination for project implementation, as well as for monitoring and reporting on the project, and especially for implementation of the Project's Environmental and Social Management Framework and this Labor Management Procedure.

The PIU will be responsible for the following:

- Implement this labor management procedure and apply its policies and procedures to project workers
- Monitor that the contractors are meeting obligations towards contracted and sub-contracted workers as included in the General Conditions of Contract the World Bank Standard Bidding Documents, and in line with ESS2 and national labor code
- Maintain records of recruitment and employment process of direct workers (this can include only records on PIU staff and consultancy services during Project implementation)
- Monitor that occupational health and safety standards are met at workplaces in line with national occupational health and safety legislation, ESS2 and ESS4 OHS requirements and NCDC WHO and WB guidelines on COVID-19 prevention
- Monitor training of the project workers on OHS, SEA/SH prevention, and any other required trainings
- Ensure that the grievance mechanism for project workers is established, monitor and report on its implementation
- Monitor implementation of the workers Code of Conduct
- Establish and implement a procedure for documenting specific incidents such as project-related occupational injuries, illnesses, and lost time accidents. Maintains such records and

requires all third parties to maintain them. Such records will form an input into the regular review of OHS performance and working conditions.

- In instances of medium, severe, fatal and mass accidents, inform the law enforcement bodies and Labor Inspectorate, and the World Bank
- Update this labor management procedure when necessary, in the course of implementation of the project, as well as in case the domestic legislation changes in any aspects of importance for the LMP.

The Contractors shall be responsible for the following:

- Ensuring compliance of their policies and procedures with national legislation on labor and OHS
- Ensuring compliance with this labor management procedure, including establishment and maintenance of grievance resolution mechanism for contracted workers with the requirements of this LMP;
- Communicating job description and employment conditions to contracted workers;
- Give general instructions to staff on COVID-19 virus prevention in accordance with the NCDC and WHO recommendations;
- Maintain records of recruitment and employment process of contracted workers
- Communicate clearly job description and employment conditions to contracted workers and provide them with one copy of the employment contract
- Develop, implement and maintain workers' grievance mechanism and address the grievance received from the contracted and sub-contracted workers
- Have a grievance logbook in place, for affective assessment and monitoring of the process.
- Have a system for regular review and reporting on labor, and occupational safety and health performance
- Deliver regular work induction trainings including but not limited to OHS, HSE, social induction, SEA/SH prevention training to employees.
- Establish and implement a procedure for documenting specific incidents such as project-related occupational injuries, illnesses, and lost time accidents. Maintain such records - Incident Report Form and deliver it to PMT
- In instances of medium, severe, fatal and mass accidents, inform the law enforcement bodies and Labor Inspectorate.
- Monitor, supervise, and report on health and safety issues relating to COVID-19 (COVID-19 focal point).

7. Policies and Procedures

The policies and procedures shall enable achievement of objectives of ESS2 and ESS4 to address identified labor and OHS risks. Enterprise Georgia already has adopted key documents, including Internal Regulations on Labor, HR Manual, and Policy on Prevention of Sexual Harassment.

As specified in Labor Code of Georgia, the employment of project workers will be based on the principles of non-discrimination and equal opportunity. There will be no discrimination with respect to any aspects of the employment relationship, such as recruitment, compensation, working conditions and terms of employment, access to training, promotion or termination of employment.

The following measures will be developed by the contractors and monitored by the PIU to ensure fair treatment of all employees:

- As per Labor Code requirements, recruitment procedures will be transparent, public and non-discriminatory with respect to ethnicity, religion, sexual orientation, disability, gender, and other grounds included in the Labor Code.
- Applications for employment will be considered in accordance with the application procedures established by the contractors.
- Clear job descriptions will be provided in advance of recruitment and will explain the skills required for each post.
- All workers will have written contracts describing terms and conditions of work and will have the contents explained to them. Workers will sign the employment contract. Terms and conditions of employment will be available at work sites.
- In addition to written documentation, an oral explanation of conditions and terms of employment will be provided to workers who may have difficulties with understanding the documentation.
- All project workers are entitled to rest during working hours, daily rest, weekly rest and annual holidays as prescribed under the law;
- Employees will be informed at least two months before their expected release date of the coming termination. If more than 100 workers will be terminated within 15 days period, the contractors will notify in writing the MoESD at least 45 calendar days before retrenchment.
- All personnel engaged in the project must be of the age of 18 years or more. PIU will include in contracts that all contractor (and subcontractor) personnel must be of the age of 18 years or more.
- Work shall be organized in a way to allow for physical distancing of at least 2 meters from other people, if possible;
- Organize virtual meetings/trainings instead of face-to-face meetings/trainings when possible;
- Conduct enhanced cleaning arrangements, in accordance with the general COVID-19 regulation, considering the Water, Hygiene and Sanitarian (WASH) norms and conditions as well.
- The Borrower will inform the Bank within 48 hours about any incident or accident related to the project which has, or is likely to have a significant adverse effect on the environment, the affected communities, the public or workers (labor, health and safety, or security incident, accident or circumstance), but no later than three calendar days after the occurrence of the event. Such events can include strikes or other labor protests, serious worker injuries or fatalities, project-caused injuries to community members or property damage. The Borrower will prepare a report on the event and the corrective action and submit to the Bank within 30 calendar days of the event.
- The contractors will be required to provide the periodic information on the performance in terms of labor, occupational health and safety issues.
- In addition, the contractor shall report to the Borrower about any inspections and audits carried out by the respective ministries such as the Labor Inspection. The findings of the labor audits will be presented to the Borrower and the Bank, if requested.

All contractors and sub-contractors are required to meet OHS standard requirements under this project, consistent with the Organic Law of Georgia on Occupational Health and Safety. The standards will be consistent with national regulations, WBG EHS guidelines and GIIP (Good International and Industry Practices).

All Contractors should submit a Code of Conduct to PIU for review and approval, as required under World Bank procurement procedures. The Code of Conduct will reflect the company's core values and overall working culture. The content of the Code of Conduct is included in the ESMF and will include provisions relating to SEA/SH prevention.

The contractors will be required to provide the periodic information on the performance in terms of labor, occupational health and safety issues. The information will be including in Contractors Incident Report Forms and submitted to the Project Management Team.

In addition, the contractor shall report to the Borrower about any inspections and audits carried out by the respective ministries such as the Labor Inspection. The findings of the labor audits will be presented to the Borrower and the Bank, if requested.

Measures for COVID-19

Prevention

The Project will ensure compliance with national law and NCDC requirements, as well as WHO and WB guidelines regarding the COVID-19 situation.

WHO provides detailed advice on what should be done to treat a person who becomes sick or displays symptoms that could be associated with the COVID-19 virus (for further information see [WHO interim guidance on infection prevention and control during health care when novel coronavirus \(nCoV\) infection is suspected](#)). The project should set out risk-based procedures to be followed, with differentiated approaches based on case severity (mild, moderate, severe, critical) and risk factors (such as age, hypertension, diabetes) (for further information see [WHO interim guidance on operational considerations for case management of COVID-19 in health facility and community](#)). These may include the following:

- If a worker has symptoms of COVID-19 (e.g. fever, dry cough, fatigue) the worker should be removed immediately from work activities and isolated on site.
- If testing is available on site, the worker should be tested on site. If a test is not available at site, the worker should be transported to the local health facilities to be tested (if testing is available).
- If the test is positive for COVID-19 or no testing is available, the worker should continue to be isolated.
- Extensive cleaning procedures with high-alcohol content disinfectant should be undertaken in the area where the worker was present, prior to any further work being undertaken in that area. Tools used by the worker should be cleaned using disinfectant and PPE disposed of.
- Co-workers (i.e. workers with whom the sick worker was in close contact) should be required to stop work, and be required to quarantine themselves for 14 days, even if they have no symptoms.

- Family and other close contacts of the worker should be required to quarantine themselves for 14 days, even if they have no symptoms.
- If a case of COVID-19 is confirmed in a worker on the site, visitors should be restricted from entering the site and worker groups should be isolated from each other as much as possible.
- If workers live at home and has a family member who has a confirmed or suspected case of COVID-19, the worker should quarantine themselves and not be allowed on the project site for 14 days, even if they have no symptoms.
- Workers should continue to be paid throughout periods of illness, isolation or quarantine, or if they are required to stop work, in accordance with national law.
- Medical care (whether on site or in a local hospital or clinic) required by a worker should be paid for by the employer.

COMMUNICATION AND CONTACT WITH THE COMMUNITY

Relations with the community should be carefully managed, with a focus on measures that are being implemented to safeguard both workers and the community. The community may be concerned about the presence of non-local workers, or the risks posed to the community by local workers presence on the project site. The project should set out risk-based procedures to be followed, which may reflect WHO guidance (for further information see [WHO Risk Communication and Community Engagement \(RCCE\) Action Plan Guidance COVID-19 Preparedness and Response](#)). The following good practice should be considered:

- Communications should be clear, regular, based on fact and designed to be easily understood by community members.
- Communications should utilize available means. In most cases, face-to-face meetings with the community or community representatives will not be possible. Other forms of communication should be used; posters, pamphlets, radio, text message, electronic meetings. The means used should take into account the ability of different members of the community to access them, to make sure that communication reaches these groups.
- The community should be made aware of procedures put in place at site to address issues related to COVID-19. This should include all measures being implemented to limit or prohibit contact between workers and the community. These need to be communicated clearly, as some measures will have financial implications for the community (e.g. if workers are paying for lodging or using local facilities). The community should be made aware of the procedure for entry/exit to the site, the training being given to workers and the procedure that will be followed by the project if a worker becomes sick.
- If project representatives, contractors or workers are interacting with the community, they should practice social distancing and follow other COVID-19 guidance issued by relevant authorities, both national and international (e.g. WHO).

8. Age of Employment

The minimum working-age in this project will be the age of 18 years. The national legislation prohibits child labor. The labor law prohibits persons under the age of 18 years to be engaged in hazardous work.

The contractors will be required to verify the age of all workers. This will require workers to provide official documentation to verify age such as a national identification card, passport, driver's license, birth certificate, valid medical or school records.

If a child under the minimum age is discovered working on the project, measures will be taken to immediately terminate the employment or engagement of the child in a responsible manner, taking into account the best interest of the child.

9. Terms and Conditions

The terms and conditions of employment or engagement of the project workers should be in line, at minimum, with this labor management procedure, and National Labor Code of Georgia and must meet inter alia the following standards:

- The project workers shall have employment contracts in writing that contain a description of conditions of employment;
- The project workers shall be entitled to a regular salary, as well as to compensation of salary for periods from work or specific condition of work (nighttime work, overtime work, work with difficult working conditions, work during weekends and holidays);
- The project workers will work 8 or fewer hours a day, with payment for overtime;
- Any work longer than 8 hours is considered overtime work;
- The project workers shall be entitled to a weekly rest of at least 24 consecutive hours;
- The work hours are 40 hours per week.
- The overtime hours will be a maximum 10 hours per week.
- Overtime hours will be paid at the rate of at least 1.5 times of the base wage.

- The project workers shall be entitled to annual, sick, maternity and family leave, as required by the national legislation. Where the national legislation does not stipulate entitlement to leaves on any ground (i.e. temporary work), the contracted party will provide the project worker, at his/her request, with a reasonable period of leave taking into consideration all the circumstances;
- Project workers have the right to form or join union or other organizations of their choosing and to bargain collectively, in accordance with the national legislation. The employer (third party) will not interfere with the worker's right to choose the organization or opt for an

alternative mechanism to protect their rights regarding working conditions and terms of employment;

- The employer shall provide adequate PPE for project workers and organize OHS training, in line the latest WHO guidelines and recommendations;
- Provide that all wages earned, social security benefits, unused leave time, pension contributions and any other entitlements will be paid on or before termination of employment;
- The project workers shall be able to raise their grievances using the grievance mechanism in the manner described in Chapter on Grievance Mechanism.

The contractors' labor management procedure must set out terms and conditions for the contracted workers. These terms and conditions should be in line, at minimum, with this labor management procedure, national Labor Code and General Conditions of the World Bank Standard bidding documents and comparable industry standards.

10. Grievance Redress Mechanism

The PMT has developed a Grievance Policy and Procedures for direct and contracted workers to address workplace concerns, that will be maintained throughout the life of the project (Attachment 2).

PMT will introduce following procedures as to their employees also to the Contractor Organizations and require them to implement already adopted Project Grievance Policy and Procedure for Employees for their workforce prior to the start of works, in case contractors do not have Internal worker's grievance mechanism in place.

During implementation COs should also adopt similar grievance mechanism and ensure that all their employees are aware of the procedures and confidentiality protocols for sensitive and SEAH complaints. This would be done through formal announcements /communication from HR to all employees, awareness session for workers and any new workers thereon using opportunities of existing or planned worker workshops.

All complaints on sexual exploitation and abuse (SEA) and sexual harassment (SH) will be treated safely and confidentially in accordance with the SEA/SH Grievance Mechanisms' Protocol DOs and DON'T's (Attachment 3)

The worker's grievance mechanism will include:

- a procedure to receive grievances such as comment/complaint form, suggestion boxes, email, a telephone hotline;
- stipulated timeframes to respond to grievances and to address cases;
- a register to record and track the timely resolution of grievances;
- a responsible department to receive, record, address and track resolution of grievances.

All the Project Grievances will be registered and recorded in Grievance Logbook adopted by the PMT that will also be introduced to CO's (Attachment 4).

The workers' grievance mechanism will be described in staff induction trainings, which will be provided to all project workers. The mechanism will be based on the following principles:

- The process will be transparent and allow workers to express their concerns and file grievances.
- There will be no discrimination against those who express grievances and any grievances will be treated confidentially.
- Anonymous grievances will be treated equally as other grievances, whose origin is known.
- Management will treat grievances seriously and take timely and appropriate action in response.

Information about the existence of the grievance mechanism will be readily available to all project workers (direct and contracted) through notice boards, the presence of "suggestion/complaint boxes", and other means as needed.

The Project workers' grievance mechanism will not prevent workers to use conciliation procedure provided in the Labor Code or any other judicial mechanisms.

11. Contractor Management

The Borrower will use the Bank's 2017 Standard Procurement Documents for solicitations and contracts, and these include labor and occupational, health and safety requirements.

As part of the process to select design and build contractors who will engage contracted workers, the PIU may review the following information:

- Information in public records, for example, corporate registers and public documents relating to violations of applicable labor law, including reports from labor inspectorates and other enforcement bodies;
- Business licenses, registrations, permits, and approvals;
- Documents relating to a labor management system, including OHS issues, for example, labor management procedures;
- Identification of labor management, safety, and health personnel, their qualifications, and certifications;
- Workers' certifications/permits/training to perform required work;
- Records of safety and health violations, and responses;
- Accident and fatality records and notifications to authorities;
- Records of legally required worker benefits and proof of workers' enrollment in the related programs;
- Worker payroll records, including hours worked and pay received;
- Identification of safety committee members and records of meetings; and
- Copies of previous contracts with contractors and suppliers, showing inclusion of provisions and terms reflecting ESS2.

The contracts with selected contractors will include provisions related to labor and occupational health and safety, as provided in the World Bank Standard Procurement Document (SPD) and Georgian law.

The PIU will manage and monitor the performance of Contractors in relation to contracted workers, focusing on compliance by contractors with their contractual agreements (obligations, representations, and warranties). This may include periodic audits, inspections, and/or spot checks of project locations or work sites and/or of labor management records and reports compiled by contractors. Contractors' labor management records and reports may include: (a) a representative sample of employment contracts or arrangements between third parties and contracted workers; (b) records relating to grievances received and their resolution; (c) reports relating to safety inspections, including fatalities and incidents and implementation of corrective actions; (d) records relating to incidents of non-compliance with national law; and (e) records of training provided for contracted workers to explain labor and working conditions and OHS for the project.

Attachments

Attachment 1. Incident Report Form

<p>Name of reporter:</p> <p>Institutional affiliation of reporter:</p> <p>Date of report:</p>			
<p>Name of the Project:</p> <p>Name of the creditor/grant recipient:</p> <p>Name of responsible project manager:</p> <p>Names of environmental and social specialists assigned to the Project (if any):</p>			
Question	Response	Resolution	Comment
Preliminary classification of the incident (see Box 1 below)			
What was the incident? What happened? To what or to whom?			
Where and when did the incident occur?			
When and how did we find out about it?			
Are the basic facts of the incident clear and uncontested, or are there conflicting versions? What are those versions?			
What were the conditions or circumstances under which the incident occurred (if known at this stage)?			
Do evidence of the occurred incident exist?			

Is the incident still ongoing, or is it contained?			
Is the loss of life or severe harm involved?			
Is EG aware of the incident? What is their response to date?			
What measures have been or are being implemented by the creditor/Contractor?			

Box 1: Incident Classification Guide

<p>Indicative</p> <ul style="list-style-type: none"> • Relatively minor and small-scale localized incident that negatively impacts small geographical areas or a small number of people • Does not result in significant or irreparable harm • Failure to implement agreed E&S measures with limited immediate impacts • Covid-19 Incidents <p>Serious</p> <ul style="list-style-type: none"> • 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. <p>Severe</p> <ul style="list-style-type: none"> • 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 Environmental and Social Incident Response Toolkit (ESIRT).

Attachment 2. 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 Enterprise Georgia 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. Enterprise Georgia 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 organisational change and discrimination. Enterprise Georgia 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 victimised for an act of whistleblowing, she/he can raise the matter under this Grievance Procedure.

This policy is available to all employees of Enterprise Georgia. 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 (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 labour 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.
- 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. She/he may speak with either a more senior manager or to the Head of HR, 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 a formal grievance process, she/he is eligible to apply to the Head of HR with the grievance request. Head of HR within 7 working days initiates the Grievance Committee (hereinafter - Committee) with the approval of EG Director. The permanent members of the Committee are the representatives of Project Management Team and/or 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 EG Director.
2. Head of HR 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 EG Director.
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 Head of HR. The appeal should be made in writing to the Head of HR. 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 Head of HR 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 Head of HR 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

Head of HR 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 Head of HR 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 Head of HR 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.

Attachment 3. SEA/SH Grievance Mechanisms: DOs and DON'Ts

Key Guiding Principle	DO	DO NOT
Safety and Confidentiality	<ul style="list-style-type: none"> - Prioritize safety and security of the survivor at all stages; - Record SEA/SH allegations, use a separate and password protected GM log that will be kept safe and that guarantees the confidentiality of data; - Create and apply coding system to anonymize case files; - Safely store hard copies of SEA/SH complaints, consent forms and information on referrals (e.g. use lockers, store in designated area at the EG office); - Restrict access to SEA/SH Log/documents to the selected personnel that has signed the non-disclosure agreement; - Ensure confidentiality, establish a formal protocol with clear rules and procedures for interagency information-sharing of case-level data. 	<ul style="list-style-type: none"> - Ignore physical security of the survivor (and their vulnerable family members); - Register SEA/SH case in the GM Log (manual or electronic) used for other types of grievances; - Allow for case files to be easily accessible, not anonymized and searchable by name, date, place related to an incident; - Include sensitive/personal information in shared data that could help identify survivors, including names, characteristics, or specific locations.
Respect and non-discrimination	<ul style="list-style-type: none"> - Demonstrate respect towards wishes, choices, rights and dignity of a survivor through all actions you take; - Inform a survivor on her/his rights, complaint handling procedures and available specialized services (including what can't be provided) during the intake of a complaint; 	<ul style="list-style-type: none"> - Judge the survivor, neither tell her/him what you think of an incident; - Refer a survivor to the police or specialized services without informing on entitlements and procedures; - Force a survivor to file a formal complaint with the grievance

	<ul style="list-style-type: none"> - Document the survivor’s consent to receive referrals and for the sharing any data; - Adopt a context-sensitive approach for reporting to the police and making referrals to the legal justice system; - Take into account that due to multiple factors some survivors may prefer to turn to the traditional, informal justice mechanisms instead of reporting to the police and approaching the courts for the case resolution; - Assist all survivors without unfair discrimination on the basis of gender, age, disability, race, language, religious or political beliefs, sexual orientation or social class. 	<p>mechanism (some survivors may only wish to access services);</p> <ul style="list-style-type: none"> - Act on the allegation in any way without the consent of the survivor; - Coerce a survivor to make a particular decision or create false expectations of available services and support; - Differentiate survivors when provide assistance.
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