



Concept Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

Date Prepared/Updated: 11/11/2020 | Report No: ESRSC01667



BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Georgia	EUROPE AND CENTRAL ASIA	P173975	
Project Name	Georgia Relief and Recovery for MSMEs		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Finance, Competitiveness and Innovation	Investment Project Financing	12/3/2020	2/16/2021
Borrower(s)	Implementing Agency(ies)		
Ministry of Economy and Sustainable Development	Enterprise Georgia		

Proposed Development Objective

The Project Development Objective (PDO) is to support micro, small, and medium-size enterprises for relief and recovery, as well as related institutional strengthening.

Financing (in USD Million)	Amount
Total Project Cost	100.00

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

No

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

The development objective of the project is to support micro, small, and medium-size enterprises for relief and recovery, as well as related institutional strengthening. This is an IBRD lending operation in the amount of 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 (WBG) COVID-19 Crisis Response Approach.

Preliminary project components include:

- a. Component 1 – Financial relief and recovery for MSMEs (\$78 million)
- b. Component 2 – Digital payments & financial infrastructure upgrading (\$17 million)



- c. Component 3 – Project management and monitoring (\$5 million)
- d. Component 4 – Contingent emergency response component (\$0 million)

The project is led by the Finance, Competitiveness and Innovation (FCI) Global Practice (GP), in collaboration with Social Protection and Jobs, Poverty and Equity, and Agriculture and Food GPs, as well as the IFC.

D. Environmental and Social Overview

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

Georgia is located in the South Caucasus and is one of the Black Sea riparian nation-states. It borders Armenia, Azerbaijan, Russian Federation and Turkey, and the country comprises the following administrative units: capital city of Tbilisi, Autonomous Republic of Adjara, Autonomous Republic of Abkhazeti, and nine regions – Kvemo Kartli, Shida Kartli, Kakheti, Mtskheta-Mtianeti, Samtskhe-Javakheti, Imereti, Guria, Samegrelo-Zemo Svaneti, and Racha-Lechkhumi and Kvemo Svaneti. The project will be implemented countrywide, excluding the Autonomous Republic of Abkhazeti and several municipalities of Shida Kartli not currently under the de facto jurisdiction of the national government of Georgia.

Environmental and social impacts are expected to be minor and mostly associated with Component 1: Financial Relief and Recovery for Micro, Small and Medium Enterprises (MSMEs). This component will provide: (a) micro-grants to finance working capital and fixed assets for MSMEs, (b) co-financing of interest payments charged on loans underwritten by participating financial institutions (PFIs), and (c) underwriting of loan guarantees for loans issued by PFIs. It will also support training and technical assistance to help firms adjust to new conditions and strengthen their business skills and resilience, in terms of digital capabilities and COVID-proofing. Grants, loans and guarantees supported under the project will finance investments and operational expenses such as new machinery and equipment, payroll costs, suppliers bills, rent, and utilities expenses subject to the verification of receipts, and/or COVID-proofing and resilience needs, such as expenses associated with health and safety of employees, customers, or the broader community, digitization, adoption of green/clean technology, climate change mitigation and adaptation.

Component 2 on digital payments and financial infrastructure upgrading, and Component 3 on project management and monitoring do not entail environmental and social impacts. Component 2 will finance investments and support technical assistance to facilitate upgrades in the financial infrastructure and the adoption of financial technology solutions to increase the availability and efficiency of financial services, such as the introduction of an instant payments system (IPS) with integrated Application Programming Interface (APIs) and establishing a consolidated Know-Your-Customer (KYC) registry. Component 2 will also finance technical assistance and investments aimed at strengthening the regime for moveable collateral registration and execution. This will relax the current reliance on land collateral by financial institutions for MSMEs, thereby 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 the Borrower's request in case of emergency, including a surge of the COVID-19 pandemic.

Georgia adopts different definitions for MSMEs for accounting, tax, and statistical purposes. For the purposes of the Project, eligible MSMEs are private legal entities whose annual turnover qualify for categories 3 or 4 in accordance with the Law of Georgia on Accounting, Reporting and Auditing, i.e. annual turnover of up to GEL 20 million. Because



of the limited scale of activity, it is unlikely that MSMEs will be engaged in high-risk activities. However, environmental and social management system (ESMS) of the project will include adequate filters for excluding activities with high and substantial environmental and social risks from financing, co-financing or the application of loan guarantees with the project proceeds. MSME activities requiring involuntary resettlement, and those with impacts on environmentally sensitive receptors and cultural heritage, as well as activities involving child and forced labor will not be supported either. No civil works are expected under the project.

D. 2. Borrower's Institutional Capacity

The majority of the project activities will be implemented by Enterprise Georgia, a legal body of public law under the Ministry of Economy and Sustainable Development. Enterprise Georgia was established in 2014 as the main state agency responsible for promoting entrepreneurship development in Georgia, supporting the creation of new enterprises and the expansion or refurbishment of existing enterprises. Since inception, it has accumulated substantial expertise in working with MSMEs across the country implementing micro-grant and training programs, as well as co-financing of interest payments charged on investment loans provided by commercial banks under the auspices of the "Produce in Georgia" program. In response to the COVID-19 pandemic and as a result of the government's anti-crisis measures announced in May 2020, the agency expanded its MSME micro-grant program four-fold to channel additional grant and financial support to enterprises, and allowing for a percentage of financial support towards working capital needs.

Through its existing programs, Enterprise Georgia has gathered substantial experience collaborating with NGOs and PFIs to conduct outreach, training, and delivery of its grant, co-financing of interest payments and guarantee programs nationwide. The agency does not have prior experience in implementing World Bank-financed projects. New staff and staff training will be required for the implementation of the proposed project. Enterprise Georgia will need to designate a dedicated individual(s) for environmental and social management as well as community liaison for ensuring that the project is implemented in compliance with the national environmental and social legislation, and in accordance with the ESF instruments prepared for the project. Under this World Bank financing, Enterprise Georgia will develop and implement an Environmental and Social Management System (ESMS) which covers all project-supported activities and is mandatory for all entities participating in the Project implementation. Enterprise Georgia will ensure that NGOs involved in subcomponent 1.1 and PFIs involved in subcomponents 1.2 and 1.3 consistently identify and manage environmental and social risks associated with their respective activities, in line with the ESF requirements and the project ESMS. The ESMS will be commensurate with the environmental and social risks associated with various subcomponents of the project and will be driven by an overall strategy and policy commitment with a clear governance framework. The Bank will conduct ESF training and capacity building for Enterprise Georgia after the Effectiveness Date of the project.

Component 2.1 will likely be implemented by the National Bank of Georgia (NBG) to establish the new payment system and other related TA activities in the payment space. As this component does not entail environmental or social impacts, it is not anticipated that the NBG will hire dedicated environmental specialists or social specialists. However, NBG staff will be familiarized with the ESF instruments and commitments under the project.

Component 2.2 will likely be implemented by the Ministry of Economy and Sustainable Development (MOESD) in coordination with the Ministry of Justice, NBG, and the National Agency of Public Registry (NAPR). Similarly, this subcomponent does not entail environment or social impacts, and it is not anticipated that the MOESD will require dedicated environment and social specialists.



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

A. Environmental and Social Risk Classification (ESRC)

Moderate

Environmental Risk Rating

Moderate

The project is not expected to have significant environmental impacts. Project proceeds will not be used for civil works. Micro-grants administered under Component 1 will only finance small-scale activities that meet eligibility criteria which will exclude damage to human and environmental health. Co-financing of interest payments for MSMEs and the provision of partial credit guarantees will be screened against a tiering system that will be developed to manage various levels of environmental risks in order to ensure activities supported by these subcomponents are not environmentally harmful. The main environmental risks of the project resulting from ongoing business activities of MSMEs, are related to occupational health and safety (OHS), water use, energy use and waste management. These are expected to be site specific, temporary and can be readily addressed through standard mitigation measures and compliance with national environmental and social laws. Any MSME beneficiaries’ activities rated as high and substantial environmental and social risk will not be eligible for financing. To manage these risks, a project-wide Environmental Management and Social Management System (ESMS) will be implemented as part of the MSME finance approval process. Due to the low to moderate E&S risks of the sub-project activities, simple streamlined E&S due diligence procedures that includes screening against the project’s prescribed eligibility criteria and compliance with national laws can serve as underlying framework for addressing E&S risks and impacts. In summary, Project activities through MSME financing are not expected to have large-scale, significant, and/or irreversible environmental and social impacts.

Other aspects of project implementation are confined to the provision of TA and are expected to have limited environmental implications. Enterprise Georgia has no prior experience in applying World Bank safeguard policies and/or Environmental and Social Standards to their operations and, furthermore, has not been applying environmental due diligence to its financing activities thus far. While the largest commercial banks and banks with foreign ownership in Georgia have adopted sound environment and social management systems, some domestic commercial banks, leasing companies and microfinance institutions, performing as PFIs for Enterprise Georgia, might not currently undertake the needed environmental and social risk assessment and management of their financing portfolios. Information on the environmental awareness of NGOs, administering the micro-grants scheme for Enterprise Georgia, will be obtained and analyzed by Project appraisal. Because of Enterprise Georgia’s limited prior experience in the application of ESMS, the World Bank will maintain close oversight of the project, especially in the early stages of implementation.

Social Risk Rating

Moderate

The project is not likely to generate negative social impacts. No civil works will be undertaken. Micro-grants, co-financing of interest payments and underwriting of loan guarantees provided under the project will support the operating costs of beneficiaries as well as acquisition of business assets. Should any land or property be acquired by beneficiaries, it will be on a willing buyer-willing seller basis as documented by legal transaction records. Sexual exploitation and abuse and sexual harassment (SEA/SH) risks are estimated to be low. Some community health and safety risks may be present depending on the nature of MSME activities. The project design will incorporate measures to ensure that Project benefits are equitably accessible to potentially excluded or disadvantaged groups. Enterprise

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Georgia has a good track record of working with local NGOs and financial institutions to extend grants and financing to MSMEs nationwide. However, Enterprise Georgia does not have experience in implementing World Bank-financed projects and is not familiar with the World Bank’s ESF. Enterprise Georgia will require additional staffing and capacity-building in order to implement the Project in accordance with ESF requirements. For these reasons, the overall social risk is assessed as Moderate.

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

Environmental and social risks of the Project are mostly related to Component 1. This component includes the provision of micro-grants to MSMEs, co-financing of interest payments and the provision of loan guarantees. Each of these sources of funds may be used for investments and operating expenses, such as salaries, utility bills, among others, and/or acquisition of assets or equipment. Other project activities will focus on investments and technical assistance to facilitate digitization of payment systems and improve the secured transactions framework that will not carry environmental or social risks. The project is not expected to disproportionately impact vulnerable and disadvantaged groups; at the same time, the project will undertake an assessment to explore measures for expanding benefits to vulnerable and potentially excluded populations such as women-led businesses, informal businesses, and ones that do not currently have access to finance through the financial system. Vulnerable or potentially excluded groups may involve entrepreneurs among youth, elderly, women, persons with disabilities, ethnic minorities, residents of rural, remote, and mountainous areas, internally displaced persons, among others. The project activities will include tailored awareness campaigns, mobilization, and training to enable such groups to participate in, and benefit from the project. Enterprise Georgia will collaborate closely with NGOs and PFIs to conduct outreach, training, mobilization and consultations with citizens and prospective beneficiaries to ensure that all social groups and specifically the ones prone to exclusion, will have the opportunity to benefit from the Project. Similarly, NBG will ensure that consultations and outreach for any new payment systems and the secured transactions framework are developed in an inclusive manner, ensuring equal proportional access to both the new payment systems and the secured transactions framework by all types of financial institutions, subject to risk management considerations.

The likely environmental risks of the project are related to occupational health and safety (OHS), water use, energy use and waste management resulting from the ongoing activities of beneficiary MSMEs. These are expected to be site specific, temporary and can be readily addressed through standard mitigation measures and compliance with national environmental and social laws. The overall risk of Enterprise Georgia’s portfolio supported by the project is thus considered moderate. MSME activities with high or substantial environmental and social risk will not be eligible for project financing. Enterprise Georgia will ensure that all PFIs adopt an ESMS satisfactory to the World Bank and apply it to the Project-supported activities. NGOs administering the micro-grant scheme will undertake basic environmental and social screening of applications as part of the selection process. Due to small scale and low risk of micro-grant-financed activities, tracking their compliance with national legislation will suffice for addressing the environmental and social impacts.

Enterprise Georgia will prepare a high-level Environmental and Social Management Framework (ESMF) describing the varied approach for managing environmental and social risks of the project through financial intermediation. The



ESMF will lay out the proportional environmental and social risk management approach and procedures to be followed for interest rate payment co-financing and guarantees for PFIs and for the delivery of micro-grants through the NGOs. The ESMF will also describe the application of ESS 2 requirements which will constitute the Project-wide Labor Management Procedures (LMP) relevant to the staff of Enterprise Georgia, PFIs, and NGOs.

Enterprise Georgia will develop and adopt a Project-wide ESMS to be followed by all institutions participating in the Project implementation. Due to different environmental and social risk levels of the activities to be undertaken via PFIs (Project subcomponents 1.2 and 1.3) and of those administered by NGOs (Project subcomponent 1.1), the project-wide ESMS will provide different approaches to risk management to be followed PFIs and NGOs: PFIs will be required to adapt the project-wide ESMS for their own use and adopt institutional ESMS for managing the World Bank Project-supported financial intermediation consistent with ESS 9, while NGOs administering micro-grant scheme will use a streamlined environmental and social screening tool as part of the micro-enterprise application selection process. For PFIs with existing ESMSs, Enterprise Georgia will review these documents to verify their material consistency with the requirements of ESS 9 and, in case of gaps, ensure that all existing ESMSs are upgraded to meet the requirements of ESS 9. Adoption of the ESMS satisfactory to the World Bank will be a condition for approving a commercial bank, leasing company or microfinance institution as a financial intermediary participating in the implementation of subcomponents 1.2 and 1.3 of the Project.

The Project-wide ESMS will establish eligible and ineligible activities for Project financing in accordance with the World Bank Group Environmental, Health and Safety Guidelines. Eligibility criteria and an exclusion list will be determined in consistency with the ESF and will apply to all forms of Project financing. The Project-wide ESMS will specify the roles and responsibilities for environmental and social screening; monitoring and reporting procedures; and measures aimed at inclusion and non-discrimination in the delivery of benefits. Activities that require involuntary resettlement will be deemed ineligible for financing. Any land or property transactions by beneficiaries under the project will be conducted on willing buyer-willing seller basis as evidenced by records to be provided by the grant beneficiary. The scope of allowable expenses under the Project will be better defined by Appraisal stage and described in the Appraisal stage ESRS and in the Project ESMS. The ESMS will also outline requirements and procedures for environmental and social due diligence in the event of the activation of the CERC.

The project will employ direct workers (employees of Enterprise Georgia and NBG) as well as contracted consultants for project management services, such as screening micro-grant applications, selecting sub-projects for grant financing and monitoring implementation of grant-financed activities under subcomponent 1.1. A LMP will be developed and incorporated in the project ESMF to ensure that the labor rights, health and safety of all employees (staff and consultants) are protected in accordance with national law and ESS 2. No civil works contractors are expected to be recruited under the project. The employees of beneficiary MSMEs will be considered as project beneficiaries; entrepreneurs benefitting from support under the Project will commit to adhere to national legislation and LMP procedures as included in the project ESMF with regard to the labor rights, health and safety of their employees.

Enterprise Georgia will prepare a Stakeholder Engagement Plan (SEP) for the project prior to Appraisal in a participatory manner. It will also establish and maintain a grievance redress mechanism accessible by all Project-affected parties and interested citizens, this mechanism will accept and address any project-related grievances.



During project preparation, the World Bank task team will ensure that Enterprise Georgia has appropriate systems and procedures in place to undertake its environmental and social due diligence role throughout the life of the Project.

Areas where “Use of Borrower Framework” is being considered:

The use of borrower framework is not considered for the whole of the Project or any of its parts.

ESS10 Stakeholder Engagement and Information Disclosure

Enterprise Georgia will prepare a Stakeholder Engagement Plan (SEP) by Appraisal which will identify prospective project affected parties and other interested parties, and will outline measures for engagement with stakeholders throughout the life of the Project. The SEP will be prepared in a participatory manner, i.e., based on preliminary interactions and consultations with Project stakeholders. The SEP will also specify the institutional roles and responsibilities, timeline, and budget for conducting the stakeholder engagement throughout the project. The SEP will specify differentiated measures for engaging with potentially vulnerable or excluded groups, for example, tailored communications to women-led businesses, MSMEs led by youth, elderly, persons with disabilities, residents of remote and mountainous areas, among others.

Key stakeholders are expected to include MSME owners that would potentially benefit from the project, PFIs, local governments at village, regional, and district levels, as well as national government institutions, such as different units within the Ministry of Economy and Sustainable Development. Other interested parties may include other IFIs, NGOs, or organizations that support the MSME sector.

Enterprise Georgia will establish a grievance redress mechanism (GRM) for the project, describe it in the project SEP and ESMF, and maintain it throughout project implementation dedicating sufficient resources, and staff time to GRM management. The GRM will include provisions for appropriate procedures and capacity to handle SEA/SH complaints. PFIs will develop and implement an External Communication Mechanism (ECM) as part of their ESMS tailored towards receiving and addressing any project-related feedback or grievances.

Currently, stakeholder engagement and information disclosure activities are managed by a dedicated team within Enterprise Georgia. NGOs and PFIs which undertake micro-grants selection process and intermediate Enterprise Georgia's funds, respectively, engage in additional outreach and engagement with their prospective beneficiaries. Enterprise Georgia will have primary responsibility for the management of SEP activities, with NGOs and PFIs having a role within the mandate of their programs. NGOs and PFIs will be made aware of the project SEP, their responsibilities within it (including as regards to the GRM), and have the capacity, staff, and resources to comply with their responsibilities under SEP.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

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ESS2 Labor and Working Conditions

This ESS is relevant to the project. The project will mostly involve direct workers - Enterprise Georgia and NBG staff, and contracted workers - consultants providing technical advisory services. Any activities implemented by the Ministry of Economy and Sustainable Development (e.g., under component 2.2) will be conducted by civil servants who are staff of the Ministry. No civil works will be implemented under the project, hence no civil works contractors are expected to be involved. The Project will also not utilize community workers.

Labor rights and occupational health and safety in Georgia are undergoing reforms aimed at strengthening the legislation, as well as the mandate and capacity for enforcement under the Labor Inspectorate. Between 2019-2020, these reforms are expected to strengthen the national Law on the Labor Code, Law on Labor Safety, and Law on Labor Inspection (currently in draft form). At present, the national Labor Code includes provisions on non-discrimination, freedom of association, the minimum employment age, operational health and safety (OHS) and dispute resolution. However, the enforcement of workers' rights under the Labor Code is currently weak. As of March 2018, Georgia has introduced some mechanisms of OHS inspection, yet, for other aspects of labor and working conditions, no such mechanisms exist. As a state agency, Enterprise Georgia has internal human resource policy, which conforms to the national law. Under the Project, Enterprise Georgia will strengthen selected aspects of their HR policies to be materially consistent with ESS 2, such as develop a clear grievance redress mechanism for its employees and introduce the requirement for signing of Code of Conduct.

A LMP will be developed for the Project and integrated into the Project ESMF, and will apply to all staff and consultants of Enterprise Georgia. The LMP will also include the requirement for a GRM for direct and contracted workers. PFIs will be required to adhere to national labor laws as well as all rules under their respective HR and ESMS policies. Contracts with NGOs will reflect key principles of the LMP including responsibilities of NGOs to adhere to the national Labor Code, labor safety legislation, provide a viable grievance mechanism for their employees, and adopt a code of conduct to prevent and mitigate risks of SEA/SH.

A LMP, consistent with ESS2, will be put in place within the ESMS of each respective PFI and apply to PFI employees. Grants, interest payments co-financing and guarantee beneficiaries will all commit to adhering to national legislation on labor and occupational health and safety within their enterprises.

ESS3 Resource Efficiency and Pollution Prevention and Management

This standard is relevant to Component 1 of the project and specifically to the provision of micro-grants, interest payments co-financing and loan guarantees to MSMEs. The potential issues related to the operations of beneficiary MSMEs such as air emissions, water discharge, energy efficiency and waste management will be mitigated through implementation of the project-wide ESMS. The ESMS, fully discussed under ESS 9, will include all the necessary processes and procedures to ensure site specific considerations related to resource efficiency, pollution prevention and management are addressed and managed. Environmental risks of MSME activities which may cause significant pollution will be rated as High or Substantial and, thus, be considered ineligible for financing.

ESS4 Community Health and Safety



This standard is not considered relevant at concept stage. Potential impacts on community health and safety will be identified and assessed within the scope of the project-wide ESMS in accordance with ESS 4 requirements. Any activities of project beneficiary MSMEs which may be associated with tangible impacts on communities will be rated as High or Substantial risk will be considered ineligible for Project financing.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

This standard is not relevant because the Project will exclude any investments which may require involuntary resettlement or negative impacts on assets or livelihoods or formal or informal users.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

This standard is not relevant because sub-projects which might adversely impact biodiversity and sustainable management of living natural resources will not be eligible for Project support.

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

This standard is not relevant. No indigenous peoples are known to reside in the territory of Georgia.

ESS8 Cultural Heritage

This standard is not relevant because sub-projects having impacts on cultural heritage will not be eligible for the Project support.

ESS9 Financial Intermediaries

The Project will provide co-financing of interest payments and partial credit guarantees via commercial banks, leasing companies and microfinance institutions. These are considered FIs for the purposes of the project. As such, they will be required to develop and adopt ESMSs consistent with the project-wide ESMS, satisfactory to the World Bank, and demonstrate the relevant capacity to screen and manage environmental and social risks in accordance with project's ESMF and their institutional ESMSs. Enterprise Georgia will be responsible to ensure that PFIs adhere to the project-wide ESMS, their own institutional ESMSs and duly apply environmental and social risks management approach to the Project-supported financial intermediation.

Enterprise Georgia has experience working with a range of PFIs under their ongoing programs. Under the proposed Project, approved PFIs will be required to follow the Project-wide ESMS by: (i) developing and adopting their own ESMS applicable to the Project-supported financial intermediation (if a PFI already has a corporate ESMS, it will be reviewed and strengthened as needed to ensure consistency with ESS 9); (ii) designating a senior management official with oversight responsibility and sufficient number of competent technical staff to implement the ESMS; (iii) screening sub-projects against the exclusion list and ensuring compliance with national environmental and social legislation of Georgia; (iv) screening, reviewing and categorizing sub-projects according to their environmental and social risks and impacts according to the pre-set criteria; (v) applying relevant requirements of the ESF through the use of environmental and social action plans (ESAPs) where necessary; (vi) monitoring implementation of any



corrective actions proposed for sub-projects; (vii) submitting environmental and social performance reports to Enterprise Georgia; and (viii) building capacity and receiving training on the World Bank ESF, with emphasis on ESS 9 and the ESF instruments such as ESMS, Environmental and Social Commitment Plan (ESCP), SEP, ECM and GRM. For micro-grants financing activities under Component 1.1 through the NGOs, the NGOs will implement a simplified E&S assessment screening as part of their Grant approval process.

The Project-wide ESMS, satisfactory to the Bank, will be established before the Effectiveness Date of the Project. Enterprise Georgia will report to the World Bank semi-annually on the environmental and social performance of PFIs. The content of semi-annual reports will be detailed in the Project Operations Manual (POM). The World Bank will conduct prior review for an initial set of sub-projects under each PFI and thereafter conduct supervision based on sampled checks for a number of sub-projects. The details of prior and post review will be described in the POM. Enterprise Georgia will ensure that environmental and social risk management for the PFIs is integrated into each respective institution’s credit approval process.

The Project-wide ESMS will include guidelines for PFIs for developing and implementing an External Communication Mechanism (ECM). The ECM will enable beneficiaries as well as those who believe they are adversely impacted by the grant or financing of beneficiaries’ activities to submit complaints, feedback, inquiries, and suggestions such as violation of Project policies, guidelines, or procedures, including those related to child labor, health and safety of workers, workplace harassment. The ECM will also allow submission of anonymous grievances. The details of the ECM will be explained in the SEP and will also be presented in the POM.

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C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways	No
OP 7.60 Projects in Disputed Areas	No

III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

A. Is a common approach being considered? No

Financing Partners

No other financing partners / IFIs will be involved in the Project.

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

Actions to be completed prior to Bank Board Approval:

Prior to Appraisal, the Borrower will prepare and disclose:

- Environmental and Social Commitment Plan;
- High-level Environmental and Social Management Framework;



- Stakeholder Engagement Plan;
- Labor Management Procedures as part of the ESMF.

Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):

- Designate and train staff in Enterprise Georgia for undertaking environmental and social management of the project;
- Establish environmental and social screening, monitoring, and reporting procedures for MSMEs beneficiaries ;
- Establish Code of Conduct to be acknowledged and adhered to by staff of Enterprise Georgia and all participating financial institutions (commercial banks, leasing companies and microfinance institutions);
- Implement ESMF (including LMP and SEP)
- Develop by Effectiveness Date and implement throughout project life a Project-wide ESMS;
- PFIs under the project to adopt and implement their own ESMSs, consistent with Project-wide ESMS;
- TORs of NGOs to include environmental and social provisions consistent with the Project-wide ESMS;
- Include into the POM a chapter on environmental and social management of the Project comprising high-level ESMF and the summary of Project-wide ESMS;
- Establish and maintain GRM for the project;
- PFIs to establish and maintain ECM as part of their ESMS;
- Develop a training plan for Enterprise Georgia and PFIs, with adequate budget, providers and timeframe.

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C. Timing

Tentative target date for preparing the Appraisal Stage ESRS

24-Nov-2020

IV. CONTACT POINTS

World Bank

Contact:	Nadeem M. Karmali	Title:	Senior Economist
Telephone No:	+1-202-473-6686	Email:	nkarmali@worldbank.org
Contact:	Natasha Kapil	Title:	Senior Private Sector Specialist
Telephone No:	5786+674 / 32-2-5520674	Email:	nkapil@worldbank.org

Borrower/Client/Recipient

Borrower: Ministry of Economy and Sustainable Development

Implementing Agency(ies)

Implementing Agency: Enterprise Georgia



V. FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

VI. APPROVAL

Task Team Leader(s):	Nadeem M. Karmali, Natasha Kapil
Practice Manager (ENR/Social)	Varalakshmi Vemuru Recommended on 11-Nov-2020 at 12:07:56 GMT-05:00
Safeguards Advisor ESSA	Agnes I. Kiss (SAESSA) Cleared on 11-Nov-2020 at 22:27:5 GMT-05:00