

ENVIRONMENTAL ASSESSMENT AND MEASURES

A. Background

1. Municipal Development Fund of Georgia (MDF) will be the Executing Agency (EA) implementing the Program and is therefore responsible for compliance with ADB procedures, including environmental and social safeguards.
2. The Program will be financed by the Asian Development Bank (ADB) under a Multi-tranche Financing Facility (MFF), and is aimed at promoting a sustainable, integrated, socially-affordable and cost-efficient urban transport system in cities of Georgia, to energize the economy and improve the quality of life of citizens. Projects will involve rehabilitation and repair of existing infrastructure (mainly roads and the underground railway), provision of new facilities (roads, tunnels, junctions, bridges, a Metro extension, etc) and capacity building. Projects proposed for early implementation are:
 - (i) An extension of the Tbilisi Metro to the University district to benefit 150,000 residents and university staff and students;
 - (ii) An urban environment improvement with the reconstruction of Gorgasali tunnel and road in Tbilisi, which will improve throughputs by segregating transit and local traffic via a tunnel on the main road along the bank of the River Mtkvari;
 - (iii) Kutaisi urban renewal and non motorized transport facilities with implementation of bike lanes
 - (iv) Road improvement in Mestia urban area.
3. Some projects are already identified for Tranche 2:
 - (i) Tbilisi Mtkvari North Bridge, which will provide a new river crossing to reduce congestion around existing bridges and improve access to a potential development area.
 - (ii) Tbilisi-Rustavi urban link

B. Environment Impacts

4. The initial projects include an extension to Tbilisi's underground railway, and urban environment improvement with the construction of a tunnel and surface parking to relieve a major congestion point on one of the main roads in the city, alternative urban transport development in Kutaisi and Anaklia, and some projects already identified for tranche 2 with a new bridge over the River Mtkvari in Tbilisi and Tbilisi – Rustavi Urban link. They are quite different schemes and should therefore give a broad indication of the range of environmental and social impacts that could occur within these and other projects that may be considered for future funding within the Program.
5. The checklists indicate that the most of the environmental and social risks occur during the construction stage, which is as expected as these are major construction projects, conducted in heavily populated urban areas, often in locations where there are already traffic and transportation problems. Most construction impacts are however temporary, related to the construction process itself, and can be mitigated by relatively straightforward measures that are common practice at sites of urban construction.
6. Once the schemes are operating, they should all have beneficial environmental and social impacts by improving particular elements of the transportation system of the city, and thus contributing to overall reductions in: travel times; traffic congestion; economic losses; exposure

to noise and exhaust gases, etc. There may also be certain negative impacts, which will need to be reduced by action in the design and procedures for operation of the facilities.

C. Policy and Legal Framework

7. The Georgian system of environmental assessment and environmental permitting dates to 1997, when the laws “On Environmental Permits” and “On State Ecological Expertise” were passed. The former prescribed procedures for granting approval for existing and proposed developments, environmental impact assessment (established as an integral part of the permitting process), and public information and participation in the decision-making process. Projects were divided into four categories based on their size, importance and potential environmental impact, and the requirements of the permitting process were different for each category. The Law on State Ecological Expertise however required all projects to undergo Ecological Expertise (review by an expert committee set up by the Ministry of Environmental Protection and Natural Resources – MoE) as part of the permit application.

8. At present, the environmental permitting procedure in Georgia is set out in three laws: (i) the Law on Licenses and Permits (2005); (ii) The Law on Environmental Impact Permits (EIP), and (iii) The Law on Ecological Expertise (EE) 2008. Guidelines (Regulations) on EIA have been adopted in March 2009 by the Order No89 of the MoE in accordance with the requirements of the Law on Environmental Impact Permits.

9. The aforementioned laws do not provide details of screening procedure and do not define responsibilities of parties. According to the practice, the screening of project proposals and the preliminary assessment of their environmental impact and proposed mitigation measures (scoping) are being carried out by the project proponent in consultation with the MoE. The list of the projects subject to EIA and Environmental Impact Permit is adopted in the Law on Environmental Impact Permits. These include the following activities that could be components of this program: (i) construction of roads and railways of national and international importance; and associated bridges, tunnels and engineering structures/facilities; (ii) Construction of underground railway (subway/metro); (iii) construction of aerodrome, airport, railway station or sea port; and (iv) production of cement, asphalt, lime, sheetrock, gypsum or bricks.

10. The Georgian system of environmental assessment is therefore different from ADB requirements (as set out in the Safeguard Policy Statement of 2009), as ADB classifies projects into three categories (A, B and C) depending on the nature and scale of the expected impacts, and requires a different level of environmental study for each category. This includes EIA and Initial Environmental Examination (IEE), which is a shorter form of environmental assessment that is not represented in the Georgian system. Furthermore, in determining environmental standards for projects it supports, ADB follows the approach set out in the World Bank’s *Pollution Prevention and Abatement Handbook* (1998), although alternative emission levels and approaches to pollution prevention/abatement can be adopted if necessary to better reflect national legislation and local conditions.

11. The MoE receives the application, organises Ecological Expertise, makes the final decision on the permit (if required), and informs the proponent accordingly, within 20 days of submission of the EIA. A permit cannot be granted without a positive Ecological Expertise conclusion, and any recommendations made in the conclusion are normally incorporated as permit conditions, with which the proponent must comply. A proponent may appeal against a negative decision through the law courts.

D. Information Disclosure, Participation, and Grievances

12. Relevant project documents will be disclosed to the public following ADB requirements and normal MDF procedure. For Category B investments the final IEE report will be posted on MDF and ADB websites, and hard copies will be available for consultation at the MDF office. For Category A investments the draft EIA (including the draft EMP) will be posted on ADB and MDF websites and hard copies will be available at the MDF office and at the project site, at least 120 days before the loan is considered by the ADB board. These documents will be substituted by the final EIA when completed, and new or updated EIA reports if prepared to reflect significant changes in the project during design or implementation. Environmental monitoring reports (prepared during project implementation, see below) will also be added in due course. All documents provided locally will be in the Georgian language.

13. For both Category A and B investments, MDF will consult with persons and groups likely to be affected by the proposed development, plus local non-governmental organisations and other stakeholders. For category B projects at least one consultation will be conducted, when the draft IEE has been prepared, with the aim of informing stakeholders about the project, its potential impacts and likely mitigation. For Category A projects there will be at least one further consultation at the beginning of the EIA study, to involve stakeholders in determining the scope of the EIA and allow them to raise any issues of particular local concern. In all cases, additional consultations will be held (with particular groups or individuals, or with all stakeholder representatives) if considered necessary by MDF and/or ADB. The consultation process and its outcome will be documented in the environmental assessment report, which will explain how relevant comments from stakeholders were addressed in project design and will give a justification for any comments not acted upon.

14. All efforts will be made to avoid dissatisfaction by stakeholders (in particular persons affected directly by the project) by sensitive site selection applying the criteria set out in Table 1, effective consultation and disclosure as described above, and by responding promptly and appropriately to stakeholder concerns. Stakeholders may still wish to raise concerns and complaints about the project's environmental performance, so MDF has established a grievance redress procedure (GRP) to enable them to do so.

15. MDF has the overall responsibility for the project implementation and environmental compliance. The administrative bodies responsible for the environmental protection are the Ministry of Environmental Protection and Natural Resources and the City Hall. The affected population and stakeholders may send their grievances, related to the project induced environmental impacts and nuisance to PIU or directly to the administrative bodies responsible for the environmental protection. The MoE and city hall are obliged to respond to the grievances, which have been received from population or other interested parties in accordance with the requirements of the Administrative Code of Georgia. However, the PMU will facilitate the response through implementing following grievance redress mechanism. During the public consultation process, the PMU will inform the stakeholders and public that PMU is responsible for environmental compliance and grievance redress. PMU will provide at the public consultation meetings and on the MDF web-site the contact details of the persons responsible for grievance collection and response.

E. Implementation arrangement and Schedule

16. MDF is a financially autonomous legal entity established under Georgian law, whose purpose is to mobilize financial resources from donors (including international and domestic

financial institutions, development partners and government agencies) for investments in local infrastructure and services. MDF was established by a presidential decree for the purpose of managing the investment component of the World Bank's First Municipal Development and Decentralization Project (MDDP I) and its remit was subsequently extended to MDDP II and other development-agency funded projects. In carrying out its activities, MDF acts in accordance with the provisions of the Law on Legal Entities of Public Law (1999) and other relevant laws, orders and decrees of the president of Georgia; agreements between the government and international financial institutions; MDF's charter; and the procedures and instructions contained in the MDF operations manual.

17. MDF presently has one environmental specialist within the Management, Monitoring and Evaluation Division, who is responsible for all environmental aspects of the division's work. This includes providing technical assistance to borrowing municipalities, supervising the environmental assessment process conducted for all investments financed under the World Bank's MDDP II and by the Millennium Challenge Corporation, and ensuring compliance with national law and the environmental safeguards requirements of the donors. The existing MDF environmental assessment procedure was designed to comply with both national law and the safeguard policies of the major lenders (including the World Bank and ADB). It therefore requires only minor adjustment to comply with the updated ADB procedure as described in the Safeguard Policy Statement (2009). The approach to environmental assessment to be adopted in this program is thus as follows.

- (i) **Environmental criteria for project/subproject selection.** Projects and subprojects will be selected based on compliance with the criteria set out in the EARF.
- (ii) **Screening and classification.** MDF will screen all potential projects using REA checklists provided in ADB's Environmental Assessment Guidelines (2003); and on the basis of the screening will classify projects according to the categorisation given in ADB's Safeguard Policy Statement (2009).
- (iii) **Preparation of environmental assessments.** For Category B projects, an Initial Environmental Examinations (IEE) will be prepared and if Category A projects are approved for financing, MDF will carry out an Environmental Impact Assessments (EIA). The IEE and the IEA will be prepared in accordance with the requirements of ADB's Environmental Assessment Guidelines (2003) as updated by the Safeguard Policy Statement (2009).

F. Environment Cost and Fund Management

18. ADB and MoE will fulfil their responsibilities outlined above as part of their normal work schedule and require no additional provision from the Program in terms of budget or manpower. MDF will also perform their responsibilities as part of their normal work schedule. Some financial support from the Program has been allocated to finance assistance and incremental administration. EIA and IEE studies will be conducted by consultants funded by the Program, so budget needs to be allocated for this key activity. Support will also be required to enable MDF to monitor implementation of the Environmental Management Plans during the construction stage of each project.

19. The cost of implementing this EARF in Tranche 1 is therefore estimated at GEL 320,000 (US\$190,000). Implementing the EARF in future tranches is expected to require a similar budget, although this would need to be adjusted if the number of projects or types of environmental studies differed from those in Tranche 1.

G. Monitoring and Evaluation

20. MDF will monitor the performance of consultants conducting the EIA and IEE studies during feasibility study and design stages, and will also monitor implementation of the EMP (mainly by contractors) when the projects are constructed. They will report the outcome of these checks in regular monitoring reports submitted to ADB.

21. MDF will then submit all draft EIA reports to ADB for review, together with such IEE reports as ADB may request, and will ensure that the consultants address all comments in producing final versions. MDF will also submit EIA reports and environmental permit applications to MoE when required by Georgian Law.