

Project I.D. P078544 ECSSD/ECA

GEORGIA

E987

RURAL DEVELOPMENT PROJECT

OPERATING MANUAL

ENVIRONMENTAL CHAPTER

**Environmental Management Plan and
Environmental Guidelines
for
Project Loan Activities**

**Prepared by David Gue, Consultant
for
World Bank**

6 July 2004

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First Draft submitted to Washington for TM review - January 2004

Second Draft incorporated comments from TM and included formats for environmental mitigation plan and environmental monitoring plan.
Submitted to Washington for peer review - January 2004

Third draft incorporated peer review comments from the Bank plus the format for Annual Environmental Report for PFI's.¹
Submitted to Washington and Tbilisi – February 2004

Environmental Chapter no further comments from Tbilisi to be incorporated.
Submitted to the Washington and Tbilisi incorporating all review comments - April 2004

¹ Format for Annual Environmental Report from PFI's to the Bank as required in TOR

ABBREVIATIONS AND ACRONYMS

RDP	Rural Development Project
ASME	American Standards (Mechanical Engineering)
Audit	EIA at an existing site prior to expansion/change of use
BOD	Biological Oxygen Demand (liquid effluent)
CAS	Country Assistance Strategy
COD	Chemical Oxygen Demand (liquid effluent)
dB	Decibels (noise level)
EA	Environmental Assessment
EIA	Environmental Impact Assessment
EIAR	Environmental Impact Assessment Report
EMP	Environmental Management Plan : mitigation and monitoring of potential environmental issues
OM	Project Operating Manual
PFI	Participating Financial Institutions
pH	Acidy/Alkalinity : pH 7.0 is neutral
PMU	Project Management Unit
SS or SP	Suspended solids in air : Suspended Particulates (dust) in air
TS	Total Solids in a liquid effluent (dissolved and suspended)
WB (or The Bank)	World Bank

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1 - INTRODUCTION

The Project

Limited access to credit is a major impediment to the growth of commercial agriculture in Georgia. Bank and non-bank financial institutions have a limited presence in rural areas in the region, and a weak capacity for agricultural lending. Agro-processors and agri-business enterprises thus lack the means to modernize their plant, improve product quality, and finance the acquisition of raw materials. Similarly, small-scale producers lack the means to increase input use and invest in new production technology as the basis for increasing production and marketed surplus.

The project aims to improve and develop the production, harvesting, storage, processing and marketing of agricultural commodities through four project components: (i) Agricultural Marketing; (ii) Rural Finance Services; (iii) Institutional Development, and (iv) Project Implementation.

To overcome existing constraints the project would establish a wholesale finance facility to provide credit lines to bank and non-bank financial institution for on-lending for investment and working capital. This would include credit lines for commercial banks to finance larger loans to processors, traders, producer associations and cooperatives for working capital and investment; and credit lines to micro-credit organizations to finance investment and working capital for small-scale producers.

Potential environmental issues

Environmental and safeguard issues are foreseen mainly with respect to the investments in small and medium agro-processing enterprises and public sector infrastructure (such as feeder roads, storage facilities, collection points, and wholesale markets) likely to be financed under the project through credit lines from commercial banks. There would be no Environmental Category A sub-projects financed by Georgia RDP; some sub-projects would be Environmental Category B and others Category C.

Agro-processors would have potential environmental impacts from solid and liquid waste emissions, smoke, airborne particles and gaseous discharges, transport and machinery noise. These would need to be mitigated to National Standards and Bank Standards by incorporating the necessary controls and treatment systems in the design and, during procurement, by specifying equipment and processes that meet these standards. Processors would also need to incorporate National safety measures for personnel in the vicinity of operating machinery.

The project is not expected to produce any significant environmental impacts from other aspects of these small-sized loans. However, some investment from the loan proceed may involve minor environmental issues related to, for example, the use and storage of agricultural chemicals, waste management at farms, natural resources management in rural areas, including forest, biodiversity, soil and water, and location or site preparation for facilities or agricultural techniques.

Selected Safeguard and Environmental Categories

In view of the involvement of Financial Intermediaries, the environmental category 'FI' and safeguards category 'SF' are considered appropriate for this project, and these categories are detailed later in the Chapter.

Responsibility

Sub-projects financed through project credit lines must be in compliance with the environmental laws and regulations of Georgia and with World Bank safeguard policies. Buildings, equipment and processes; production, storage and marketing technologies; production and processing materials; construction sites and factories, and working environments must all comply with the relevant environmental laws.

Environmental risk management of sub-loans should become a part of sub-loan and micro-loan appraisal by the project's participating financial intermediaries (PFI's). Loan officers should be able to verify that sub-loan and micro-loan applications are in compliance with Georgian laws and regulations and will not cause enduring harm to the Georgian natural environment.

The proposals for investment in private-sector agri-business development under the project have the potential for environmental pollution, and systems need to be in place to ensure that all proposals adequately protect the environment. The Bank environmental guidelines require financial intermediaries to undertake environmental screening of the sub-project:

- a) To check for potential environmental problems against a checklist, and to categorize and quantify the risk against pre-determined charts.
- b) To call for an environmental impact assessment report (EIA) for any proposal that indicates more than minimal levels of risk.

It is envisaged that the loan officer (or an environmental specialist employed by the PFI) will make decisions on environmental and safeguard compliance, providing that there are no complex environmental issues involved in the proposal.

In the case of complex environmental issues that are beyond the experience of the loan officer, and beyond the scope of these guidelines, the sub-project proponent needs to employ the relevant experts to prepare an EIA report and mitigation plan for presentation to the loan officer. In any case of doubt, the PFI should consult The Bank for clearance.

Objective of this Chapter

The objective of this Chapter of the OM is to provide a set of guidelines that will assist PFI loan officers to determine to what extent various project activities will affect the environment, and to ensure that sub-loan applicants have incorporated all necessary measures to keep their proposed sub-project compliant with Bank safeguard policies and Georgian environmental law.

2 - BACKGROUND

World Bank Safeguard Policies

The World Bank's commitments to environmental and social protection are reflected in its ten safeguard policies. These are tabulated below together with their relevance to the project. It is the responsibility of the PFI to ensure that all sub-loan applications are compliant with these policies. Annex-9 details the World Bank's Safeguard Policies and provides web-site addresses where additional information on Bank policy can be found.

Table-1 : Bank Safeguard Policies

Policies	Relevance to this project
Environmental Assessment	Highly likely
Natural Habitats	Possible
Forests (rain forests)	None
Pest Management	Likely
Involuntary Resettlement	Possible
Indigenous Peoples	Unlikely
Cultural Property	Unlikely
Safety of Dams	None
Projects on international waterways	Unlikely
Projects in Disputed Areas	Possible

Project Safeguard Category

The Bank undertakes screening of each project to determine the appropriate category for the project. The Bank's four safeguard categories are summarised below. The Bank has screened this project and, as the project involves on-lending through Financial Intermediaries, Georgia RDP has been classified as Safeguard Category S_F.

Table-2 : Safeguard Categories

Category	Potential environmental impacts
S ₁	S1 for projects with potentially severe impacts
S ₂	S2 for projects with lower impact potential
S ₃	S3 for projects with no safeguard issues
S _F	SF for Financial Intermediaries, social development funds, community driven development or any other projects involving on-lending activities.

World Bank Environmental Assessment

The Bank undertakes environmental screening of each proposed project to determine the appropriate extent and type of EIA. The Bank classifies the proposed project into one of four categories, depending on the type, location, sensitivity and scale of the

project and the nature and magnitude of its potential environmental impacts. The four Categories are A, B, C, and FI, and these categories are detailed in Annex-10.

Project Environmental Category

Georgia RDP has been classified as Environmental Category FI, which is applied to all proposed projects that involve investment of Bank funds through a financial intermediary (FI), involving sub-projects that may result in adverse environmental impacts. The Participating Financial Intermediaries (PFI's) are required to screen proposed sub-projects and must ensure that sub-borrowers conduct an appropriate EIA for each sub-project. PFI's may not initially have the technical capacity for environmental screening, but would be trained in environmental issues under the project, and would need to employ specialists for more complex environmental issues where required. Based on the EIA, the PFI must ensure that the sub-project meets the environmental requirements of national and local authorities and is consistent with the Operational Policies (OP) and other related environmental policies of the Bank. The sub-project proponent may be required by the PFI to provide an Environmental Impact Assessment Report (EIAR) and Environmental Management Plan (EMP) with mitigation measures to be included in the design.

Sub-project Environmental Categories

Sub-projects may be defined as Category A, B or C within the FI Category. None of the sub-projects in Georgia RDP will be Category A. Where PFI operations are expected to have Category B sub-projects, the PFI will provide to the Bank a written assessment of the institutional mechanisms for sub-project EIA. This is done prior to the Bank's appraisal of the PFI and may include identification of measures to strengthen the EIA capacity of the PFI. If the Bank is not satisfied that adequate EIA capacity exists within the PFI, all Category B sub-project EIA reports will be subject to prior review by the Bank.

Table-3 : Sub-project Environmental Categories

Category A	For projects with potentially severe impacts	
No category- A sub-projects in Georgia RDP	- Dams and reservoirs	- Land clearance, reclamation, dev.
	- Forestry production	- Resettlement
	- Industrial plants (large scale)	- River basin development
	- Irrigation, drainage, flood control (large scale)	- Manufacture and intensive use of pesticides, hazardous and toxic materials
	- Aquaculture	- Highways and rural road construction
Category B	For projects with lower impact potential	
	- Agro-industries (medium scale)	- Rural water supply and sanitation
	- Electrical transmission	- Watershed projects
	- Irrigation and drainage (medium scale)	- Protected areas - biodiversity conservation
	- Renewable energy	- Rehab of highways or rural roads
	- Rural electrification	- Rehab of existing industrial facilities
	- Tourism	- Energy efficiency or energy conservation
Category C	For projects with no environmental issues	

It is important that the PMU and the PFI are able to identify the World Bank Environmental Categories of activities for which funding is being requested (as detailed in Annex-10).

Georgian Environmental Laws and Regulations

Georgian Constitution (article 27) stipulates that the citizens of Georgia have the right to a healthy environment. The laws regarding environmental protection reflect Georgia's position in this sphere, take into consideration requirements of international conventions and treaties, and cover the whole range of protective measures.

The Georgian policy in the area of environmental protection reflects the view that economic development policies should not have negative impact on the environment. Under RDP, therefore, PFI's will be required to ensure that sub-loan activities comply with all of the following laws.

Annex-11 summarises the relevant environmental laws and regulations of Georgia, and details two laws ("*Environmental Protection –1996*" and "*State Ecological Expertise –1997*") that are most relevant to this project.

Table-4 : Georgian laws and regulations on environmental protection
Georgian Law on "Environmental Protection" (1996)
Georgian Law on "Water" (1997)
Georgian Law on "Ambient Air" (1997)
Georgian Law on "Soil Protection" (1994)
Georgian Law on "Environmental Protection Permits" (1997)
Georgian Law on "State Ecological Expertise" (1997)
Georgian Law on "Soil" (1996)
Georgian Law on "Protection of Animals" (1996)
Georgian Law on "Systems of Protected Territories" (1996)
Georgian Law on "Tourism and Resorts" (1997)
Georgian Law on "Protection of Plants from Harmful Organisms" (1994)
Georgian Law on "Establishment and Management of Kolkheti Natural Areas" (1995)
Georgian Law on "Compensation of Losses Caused by Utilization of Toxic substances" (1999)
Georgian Law on "Transit Movement and Waste Import on the Territory of Georgia"

The Ministry of Environment and Natural Resources Protection

The Min-ENRP is the Georgian executive body responsible for elaboration and implementation of State policies regarding environmental protection. During project preparation and implementation the Ministry will require environmental assessment of any sub-projects that come under Georgian Environmental Category-1, and the coverage and depth of EIA depends on the nature, scale and potential impact of proposed sub-projects. The EIA runs in parallel with the process of identifying potential sub-projects, their design and implementation.

Georgian environmental categories: Under Georgian law EA is grouped in four environmental categories (1,2,3, or 4) the first three of which are approximately equivalent to Bank environmental categories A, B and C. Georgian Category 4 relates to project activities that have no environmental impact but may need some form of permit. This Chapter uses Bank categories, but expands into detail using data from Georgian Laws.

All sub-projects will be screened for environmental issues by the PFI, based on data provided by the sub-borrower, and an environmental category allocated to the sub-project. In all cases where an environmental assessment report or environmental monitoring plan are required, these are to be prepared by the sub-borrower and, where

relevant, submitted to the Ministry (or its Agents), and the EIA report and monitoring plans are to be provided to the PFI with the sub-project proposal.

In all sub-projects the proponent may need permits from the Ministry of Environment or other Government Agencies and these are to be obtained by the sub-borrower and submitted to the PFI with the sub-project proposal.

No sub-projects funded under Georgia RDP would be Environmental Category A, and therefore the sub-projects would not trigger a full-scale environmental impact assessment process.

3 - PROJECT ACTIVITIES

Probable Sub-project Activities

It is not possible to determine, prior to project implementation, the various activities for which loan funds will be requested. Project preparation studies have examined current agricultural activities in the Project region and it is assumed that, for the most part, the current activities reflect the application to which loan funds will be designated. Georgia has a long tradition of wine production and, earlier, exported large volumes of fruit, vegetables and nuts. It also produces milk and milk products, tea, meat and meat products. Enhancements of production, processing and marketing of these traditional commodities are the most likely content of sub-projects.

Medium-scale activities (Agro-processing and marketing)

Table-5 indicates likely medium-scale activities such as agro-processing and marketing for which an environmental Category B would be appropriate and assessment would be required. None of these activities under sub-project loans would be large-scale by either national or international standards but may have individual environmental issues that need to be mitigated.

Table-5 : Probable medium-scale sub-project activities	
Wine industries :	
	<ul style="list-style-type: none"> - Grapevine nurseries - Vineyards – new and rehab - Wine making, bottling and storage - Wine warehouses and marketing
Milk industries :	
	<ul style="list-style-type: none"> - Dairy farming - Milk collection and chilling centres - Milk processing and dairy plants - Milk products : storage and marketing of cheese, ice-cream, deserts
Fruit industries (soft-fruits, citrus, apples, pears etc)	
	<ul style="list-style-type: none"> - Fruit seedling nurseries - Fruit orchards - new and rehab - Fruit packing, cold storage and chilled transport - Fruit processing and pickled products - Fruit marketing activities
Nut industries (Hazelnuts, walnuts, etc)	
	<ul style="list-style-type: none"> - Nut tree seedling nurseries - Nut tree orchards - new and rehab - Nut packing, storage and transport - Nut processing and pickled products - Nut marketing activities
Meat industries :	
	<ul style="list-style-type: none"> - Livestock breeding and production - Slaughterhouses and meat processing plants - Cold storage facilities
Market facilities :	
	<ul style="list-style-type: none"> - Market buildings and auction rooms - Warehousing, cold stores and distribution depots

Small-scale activities (Farming and farm services)

Table-6 provides a list of probable activities for which micro-loan funding would be appropriate. These are expected to be mainly agricultural and horticultural production activities, orchards and livestock, but are likely to also include inputs and services to these industries. The need for quality seeds and seedlings was highlighted during Project Preparation, and the need for reliable farm chemicals. These are likely to be the main thrust of the micro-credit loans. None have any major potential for environmental problems, but the correct use of farm chemicals, storage and use of fuel, suitability of seeds and seedlings, and livestock production issues need to be fully understood by the PFI and mitigated in the sub-loan proposals. Guidelines for the use and storage of pesticides will be provided by the PMU, and farmers will be trained under the project.

Table-6 : Probable small-scale sub-project activities	
Seeds and seedlings :	
	- Nurseries
	- Seed breeding
	- Seed and seedling production and propagation
	- Seed and seedling processing, packing and marketing
Agriculture and horticulture :	
	- Rehab farms, orchards and horticulture
	- Irrigation (mainly on-farm)
	- Access roads
	- Farm buildings and barns
	- Production activities (working capital)
Service industries	
	- Tractors, farm implements, spare parts, servicing and hardware
	- Farm chemicals
	- Fuel and lubricants
Livestock industries :	
	- Livestock breeding and pedigree production
	- Veterinary and inspection services
	- Feeds and medicines
	- Small scale slaughter, butchery and meat processing
	- Animal production

4 - GUIDELINES FOR PFI'S

Environmental screening of sub-projects

The loan officer or the environmental specialist in the PFI will be required to screen each sub-project, as part of sub-project preparation and appraisal, to define the Environmental Category of the sub-project and the required Environment Management Plan. This is done in two phases a) Preliminary Screening; a desk exercise based on data provided by the sub-project proponent, and b) Secondary Screening; a site visit to sub-projects that are ready for appraisal to physically ascertain the veracity of that data.

Preliminary Screening

Preliminary Screening is a desk exercise executed by the PFI loan officer or environmental specialist by completing the Preliminary Environmental Screening report (for format of report see Annex-1). The objective of Preliminary Screening is to establish the Environmental Screening Category and relevant Environmental Management Plan (EMP) associated with the activities of the proposed sub-project, and compare this with the mitigation and management proposals of the sub-project proponent. Check lists and guidance are provided in Annexes 3 to 8 to assist the loan officer with preliminary screening. On completion of Preliminary Screening the report is entered in the project files

Sub-projects assessed as Category A, (high environmental risks). No Category-A sub-projects will be financed by the project, but for expansion or change of technology at existing large scale facilities, an environmental audit of existing facilities will be required.

Sub-projects assessed as Category B, (lower environmental risks) will require Secondary Screening during appraisal excepting small scale production activities such as agriculture, orchards, horticulture and vineyards, or very small scale processing, storage and marketing activities. Also minor upgrades to existing processing plants. Low risk sub-projects may be visited and screened during project supervision. An EIA may be required for some Category B sub-projects, and these are detailed in Annex-3. For expansion of existing facilities or where change of technology is proposed, an environmental audit may be required, depending on the nature of the sub-project.

Sub-projects assessed as Category C, (sub-projects having no environmental issues) require no Secondary Screening but the completed Preliminary Environmental Screening report should be entered in the project files.

If the sub-project is rejected on environmental grounds during Preliminary Screening, an improved environmental proposal may be submitted by the proponent, and re-considered as above. This decision is at the discretion of the PFI.

Secondary Screening

If Preliminary Screening is successful, field visits will be required (Secondary Screening) to establish the veracity of the environmental data provided by the sub-project proponent. This is a physical check executed by the PFI loan officer or environmental specialist as part of sub-project appraisal. The completed Secondary Screening form Annex-2 will be entered in the project files.

Secondary Screening during site inspection includes updating and physical verification of all data provided in the Preliminary Screening Report.

- Confirm actions taken since preparation of the Preliminary Screening Report:
- Environmental data provided by the applicant is correct
- No potential environmental issues have been ignored
- The environmental category classification is appropriate
- Environmental management and monitoring plan is adequate
- EIA report has been completed (where required)
- Statutory environmental permits have been received and are adequate
- Public Participation/Information consultations are complete
- Land and resettlement (where relevant) has been identified and compensation arrangements agreed.

In cases where Secondary Screening substantially modifies any of the above, the Environmental Screening Category and the Environmental Management Plan may need to be revised. The sub-project must not be financed by the PFI until the revisions have been accepted and checked by the PFI.

Rejection of sub-project

If the sub-project is rejected on environmental grounds after an unsatisfactory site visit, an improved environmental proposal may be submitted by the proponent, and re-appraised as above. Re-appraisal should be restricted to one improved proposal, and the proponent should not expect to make multiple applications on the basis of continuous marginal improvements to the scheme. Re-appraisal should be at the discretion of the PFI.

Environmental Monitoring

If the sub-project is accepted for funding and implementation under the project, following full appraisal by the PFI, environmental monitoring will be required in compliance with the environmental management plan (EMP) agreed in the screening procedure. The extent of project monitoring will be dependent on the nature, scale and potential impact of the sub-project. Monitoring may require the services of environmental specialists or a company with laboratory and analytical facilities (for complex environmental problems) or inspection by the local government environmental officer (See Annex-5 Environmental Monitoring and Reporting).

Project Supervision (Environmental)

Likewise, the extent of Bank and PFI Supervision will be dependent on the nature of the sub-project. Monitoring reports should be available before each supervision

mission, and any anomalies or concerns investigated during supervision. The supervision missions should check the physical activities of the sub-project against the Secondary Screening Report and establish that mitigation and monitoring measures are functioning as designed, and are adequately controlling any pollutants or environmental issues within the law and regulations. In cases of unsatisfactory performance, an environmental audit and revised environmental management plan may be required.

Annual Environmental Reporting by the PFI to the Bank

PFI's are required to submit annual reports on the environmental performance of the loans financed using WB funds. This should include a list of monitoring reports from sub-project borrowers, and a list of reports from the Ministry or its agents. Annual Environmental Reports are to be provided to the Bank before each project supervision mission, and the latest Report is to be included as an attachment to the PFI's annual report to the Bank. The Banks reporting requirements for PFI's are detailed in Annex-5 Environmental Monitoring and Reporting. Annex-5 (Table 9) includes the format for the Annual Report. This is a compilation of all sub-projects under the control of the PFI.

5 - ANNEXES

Organization of Annexes

ANNEXES 1 AND 2 – SCREENING REPORT FORMATS

Annex-1 and Annex-2 detail the format of Preliminary and Secondary Screening Reports. The Preliminary Report format includes guide notes, after each section, which provides a cross-reference to other annexes where the relevant checklists or detailed information can be found.

Screening Report Formats

- | | |
|------------------|--|
| Annex – 1 | Preliminary Environmental Screening Report format |
| Annex – 2 | Secondary Environmental Screening Report format |

ANNEXES 3 TO 8 – CHECKLISTS FOR SCREENING REPORTS

Annex-3 to Annex-8 contains the checklists, laws, regulations and guidelines that are required for the PFI to complete the Preliminary Screening Report.

Checklists for completing Screening Reports

- | | |
|----------------|---|
| Annex-3 | Selecting Environmental Category for sub-projects |
| Annex-4 | Environmental Mitigation (Likely Impacts, Mitigation and Permissible Limits) |
| Annex-5 | Environmental Monitoring and Reporting |
| Annex-6 | Public consultation |
| Annex-7 | Land and resettlement |
| Annex-8 | Accept/reject decision making |

ANNEXES 9 TO 11 – REFERENCE DATA AND INFORMATION

Annex-9 to Annex-11 contains reference information, detail of policies, categories and laws that may need to be referred to by the PFI.

Information and data for reference purposes

- | | |
|-----------------|--|
| Annex-9 | World Bank Safeguard Policies |
| Annex-10 | World Bank Environmental Categories |
| Annex-11 | Georgian Environmental Laws and Regulations |

ANNEX-1 PRELIMINARY ENVIRONMENTAL REPORT FORMAT

This Annex details the format of the Preliminary Screening Report and the process of compiling the Report. Preliminary Screening is a desk exercise executed by the PFI loan officer or environmental specialist.

The objective of Preliminary Environmental Screening.

The objective of Preliminary Screening is to establish the appropriate Environmental Screening Category and relevant Environmental Management Plan associated with the activities of the proposed sub-project, and to provide a basis for the PFI to accept or reject the proposal on environmental grounds.

The Preliminary Screening Process.

- The PFI should complete the Preliminary Environmental Screening report using the checklists indicated against each paragraph.
- The resulting report will then define the Environmental Category and required Environmental Management Plan (EMP) for the sub-project.
- Extract the proponents (EMP) from the sub-project proposal.
- Compare the proposed EMP with the required EMP
- Accept or reject the proposal
- Enter the report in project files

Accepted sub-projects.

If the PFI accepts the environmental proposal the appraisal of the sub-project can go ahead, and may include Secondary Environmental Screening at site (see Annex-2) depending on the nature of the sub-project.

Rejected sub-projects.

If the PFI rejects the sub-project on environmental grounds during Preliminary Screening, the PFI may, at its discretion, accept an improved EMP from the sub-project proponent. The improved environmental proposal will need to be re-considered as above, and a final decision made to accept or reject the proposal.

Project file records

In case of either accepted or rejected sub-projects, enter the completed Preliminary Screening report into the project files.

World Bank : Georgia RDP

PFI Sub-Projects

Participant Bank or PFI: (Name)
Sub-project: (Name and location)
Sub-loan/Investment Title: (Sub-loan title or reference number)
Nature of Sub-loan (Purpose, loan size, percentage of total investment)

Preliminary Environmental Screening Report format

This report is to be kept short and concise. Yes/No answers and bullet lists preferred except where descriptive detail is essential.

Physical data:

- Site area in ha (for industrial sites, production area for farms, orchards etc.)
- Factory area in m² (in case of processing, storage, marketing etc.)
- Expansion project or new site.
- Any existing property to transfer to sub-project.
- Any plans for new construction.

Refer to loan application for this information.

Preliminary Environmental Information:

- State the source of information available at this stage (proponents report, EIA or other environmental study).
- Has there been litigation or complaints of any environmental nature directed against the proponent or sub-project

Refer to loan application and/or local community leader for this information.

Identify type of sub-project activities and likely environmental impacts:

- List existing production, processing and storage or marketing activities.
- List planned incremental production, processing, storage or marketing activities under the project.
 - o Products
 - o Production per year capacity
 - o Employees (workers, staff, temporary workers)
- What are the likely environmental impacts, opportunities, risks and liabilities associated with the sub-project?

Refer to Annex-4 of PFI Guidelines for likely environmental impacts.

Environmental Screening Category:

After compiling the above, read the Environmental Category guidelines and allocate the appropriate Environmental Screening Category to the sub-project.

Refer to Annex-3 of PFI Guidelines for Environmental Category

Mitigation of Potential Pollution:

Does the sub-project have the potential to pollute the environment, or contravene any environmental laws and regulations? If so, then the proposal must detail the methodology and equipment incorporated in the design to constrain pollution within the laws and regulations. Does the design adequately detail mitigating measures?

Refer to Annex-4 of PFI Guidelines for appropriate mitigation.

Required Environmental Monitoring Plan:

If Screening identifies environmental issues that require long term or intermittent monitoring (effluent, gaseous discharges, water quality, soil quality, air quality, noise etc), does the proposal detail adequate monitoring requirements?

Refer to Annex-5 of PFI Guidelines for appropriate monitoring and reporting.

Environmental Assessment Report or environmental studies required:

If Screening identifies environmental issues that require an EIA or a study, does the proposal include the EIA or study? Indicate the scope and time frame of any outstanding environmental study.

Public Participation/Information Requirements:

Does the proposal require, under national or local laws, the public to be informed, consulted or involved? Has consultation been completed? Indicate the time frame of any outstanding consultation process.

Refer to Annex-6 of PFI Guidelines for Public consultation.

Land and resettlement:

What is the likelihood of land purchase for the sub-project? How will the proponent go about land purchase? What level or type of compensation is planned? Who will monitor actual payments?

Refer to Annex-7 of PFI Guidelines for land and resettlement.

Actions:

List outstanding actions to be cleared before sub-project appraisal.

Accept the environmental proposal Yes/No

If proposal is rejected for environmental reasons, should the sub-project be re-considered, and what additional data would be required for re-consideration?

Refer to Annex-8 of PFI Guidelines for accept/reject decision-making.

Permits and permissible limits:

Has the proponent provided all required permits covering; health, safety, environmental regulations and standards? Indicate the time frame of any outstanding permits. List the permits that are required by National or Local authorities for the type of activities planned by the sub-project and provide details of permissible limits (see notes below).

Refer to Annex-11 of PFI Guidelines for relevant Environmental Laws of Georgia.

Permits required by sub-project and Permissible Limits						
Permit type	Required Yes/no	Issued by	Permit number	Date issued	Date expired	Permissible Limits
Environmental Impact Assessment/State Review						
Change in land use						<1>
Construction						<1>
Operation						
Use of water for production						<2>
Liquid effluent treated on site						<2> <3>
Liquid effluent without treatment						<2> <3>
Use of community sewage system						<2> <3>
Air emissions						<2> <3>
Noise						<3>
Solid waste disposal						<2>
Hazardous chemical storage						<2>
Hazardous chemical waste storage						<2>
Hazardous chemical waste disposal						<2> <3>
Occupational health and safety certificate						
Fire certificate						
Sanitation certificate						
Other permits (specify)						

Notes:

- <1> List maximum permissible area m² or ha
- <2> Maximum permissible volume (tons/day : m3/day etc)
- <3> List maximum permissible strength of pollutants (BOD, COD, TS, SS or dB etc)

LOAN OFFICER

Name: _____

Signature: _____

Date: _____

ANNEX-2 SECONDARY ENVIRONMENTAL REPORT FORMAT

This Annex details the format of the Secondary Environmental Screening Report and the process of compiling the Report. If Preliminary Screening is successful, field visits will be required (Secondary Screening). This is a physical (on-site) check executed by the PFI loan officer or environmental specialist as part of sub-project appraisal.

The objective of Secondary Screening.

The objective of Secondary Screening is to physically establish the veracity of the environmental data provided by the sub-project proponent, and to confirm that the Environmental Category is appropriate and EMP is adequate.

The Secondary Screening Process.

- Confirm that actions required by the Preliminary Screening Report have been completed
- Environmental data provided by the applicant is correct
- No potential environmental issues have been ignored
- The environmental category classification is appropriate
- Environmental management and monitoring plan is adequate
- EIA report has been completed (where required)
- Statutory environmental permits have been received and are adequate
- Public Participation/Information consultations (where relevant) are complete
- Land and resettlement (where relevant) has been identified and compensation arrangements agreed.

In cases where any of the data provided by the proponent for Preliminary Screening needs to be substantially modified after Secondary Screening, the Environmental Screening Category and the Environmental Management Plan may need to be revised. The sub-project must not be financed by the PFI until the revisions have been accepted and checked by the PFI.

Rejection of sub-project

If the sub-project is rejected on environmental grounds after an unsatisfactory site visit the proponent, at the discretion of the PFI, may submit an improved environmental proposal.

Re-appraisal should be restricted to one improved proposal, and the proponent should not expect to make multiple applications on the basis of continuous marginal improvements to the scheme. Any further consideration of the sub-project should be at the discretion of the PFI.

World Bank : Georgia RDP

PFI Sub-Projects

Participant Bank or PFI: (Name)
Sub-project: (Name and location)
Sub-loan/Investment Title: (Sub-loan title or reference number)
Nature of Sub-loan (Purpose, loan size, percentage of total investment)

Secondary Environmental Screening Report format

This report follows a site inspection where the veracity of data in the Preliminary Environmental Screening Report is physically checked. Keep the report short and concise but detail permits and permissible limits.

Actions required from the Preliminary Screening Report:

List actions that have been cleared satisfactorily since Preliminary Screening.
Also any that remains outstanding, with time frame for completion.

Environmental Screening Category:

Are there any discrepancies in the data provided for Preliminary Screening vs. site inspection that would change the Screening Category?

- Physical data
- Preliminary Environmental Information
- Type of sub-project activities and likely environmental impacts
- Environmental Screening Category: Does the Preliminary Screening Category remain unchanged after Secondary Screening or what is revised Category?

Environmental management plan:

Are there any discrepancies in the data provided for Preliminary Screening vs. Secondary Screening that would change the mitigation and monitoring requirements?

- Mitigation of Potential Pollution or mitigation of other environmental issues
- Environmental Monitoring Plan
- Does the Environmental Management Plan remain unchanged or what is the revised plan?

Environmental Assessment Report:

If Preliminary Screening identified the requirement for EIA or an environmental study, have these been completed satisfactorily.

Changes in Environmental Category or Environmental Management Plan

In cases where the Environmental Screening Category is revised during Secondary Screening, or there are changes to any of the following, what is the timeframe for the sub-project proponent to provide the revised data and reports?

- Mitigation of Potential Pollution
- Environmental Monitoring Plan
- Environmental Assessment Report
- Statutory permits and permissible limits
- Public Participation/Information consultations
- Land and resettlement issues

In cases where any of the above are modified by Secondary Screening the sub-project must not be financed by the PFI until the revisions have been accepted and checked by the PFI.

Actions:

List outstanding actions to be cleared before sub-project approval.

Accept the environmental proposal Yes/No

If proposal is rejected during Secondary Environmental Screening for environmental reasons, should the sub-project be re-considered, and what additional data would be required for re-consideration?

LOAN OFFICER

Name: _____

Signature: _____

Date: _____

ANNEXES 3 TO 8 :- CHECKLISTS FOR SCREENING REPORTS

Annexes-3 to 8 contains the checklists and guidelines that are required for the PFI to complete the Preliminary Screening Report.

Checklists for completing Screening Reports

Annex-3	Selecting Environmental Category for sub-projects
Annex-4	Environmental Mitigation (Likely Impacts, mitigation and permissible limits of pollutants)
Annex-5	Environmental Monitoring and reporting
Annex-6	Public consultation
Annex-7	Land and resettlement
Annex-8	Accept/reject decision making

Annual Report Format: Annex-5 (Table 9) includes the format for the PFI's Annual Report to the World Bank. This is a compilation of all sub-projects under the control of the PFI.

ANNEX-3 SELECTING ENVIRONMENTAL CATEGORY FOR SUB-PROJECTS

Bank environmental categories

The Bank Categorizes FI sub-projects into one of three sub-categories (A, B or C), depending on the type, location, sensitivity, and scale of the project, as well as the nature and magnitude of its potential environmental impacts.

Georgian environmental categories

Under the laws of Georgia the EIA requirements are grouped in four environmental categories (1,2,3, or 4) the first three of which are approximately equivalent to Bank environmental categories A, B and C. Georgian Category 4 relates to project activities that have no environmental impact but may need some form of permit.

Environmental Categories in Georgia RDP

This Annex uses Bank categories, but expands into detail using data from Georgian Laws. Most project activities under Georgia RDP would be Bank Category B or C.

Bank Category-A sub-projects (Georgia Law Category-1)

These will not be financed by Georgia RDP but for reference purposes: Category A sub-projects are likely to have significant adverse environmental impacts that are sensitive, diverse, or unprecedented. These impacts may affect an area broader than the sites or facilities subject to physical works. Can cause serious and irrevocable impact upon the environment or on human health.

The Ministry of Environment of Georgia shall issue the environmental protection permission for these categories of activities. All Category-A activities are subject to environmental protection permits. The obligatory integral part of the procedure for the issue of the environmental protection permits shall be the following:

- Environmental impact assessment (EIA); the procedure shall be carried out in accordance with Chapter III of the present law).
- State ecological expertise; the procedure shall be carried out in a manner specified by the law (see Annex-11)
- Participation of the community in the decision-making process.

In the unlikely event of an application for a Category-A sub-project, the PFI should read the requirements of Georgian law in Annex 11, and take relevant action.

The EIA for a Category A project examines the project's potential negative and positive environmental impacts, compares them with those of feasible alternatives (including the "without project" scenario), and recommends any measures needed to prevent, minimize, mitigate, or compensate for adverse impacts and improve environmental performance. For a Category A project, the borrower is responsible for

preparing a report, normally an Environmental Impact Assessment (or a suitably comprehensive regional or sectoral EIA).

Bank Category-B sub-projects (Georgia Law Category-2)

Category B sub-projects have potential adverse environmental impacts on human populations or environmentally important areas - including wetlands, forests, grasslands, and other natural habitats - which are less adverse than that of Category A projects. These impacts are site-specific; few if any of them are irreversible; and in most cases mitigatory measures can be designed more readily than for Category A projects. The Ministry of Environment of Georgia shall issue environmental permits. The procedure for issuing permits:

- State ecological expertise (see Annex-11)
- Public participation in the decision-making process.

Sub-projects that would be in Category-B

Agriculture (medium scale)

- Agriculture, horticulture, vineyards and orchards (medium scale intensive operations >50 hectares)²
- Construction and operation of potable and irrigation water supply
- Re-cultivation of land (greater than 100 hectares);
- Setting up of mariculture and aquaculture farms
- Utilization of agricultural land (30 to 50 hectares) for non-agricultural purposes
- Utilization of virgin soils and unbroken expanses for intensive agriculture

Food processing industries (medium scale)

- Agro-processing factories, foods, beverages, seeds, fibres (medium scale)
- Breweries, liquor, cognac, vodka distillers, wine production (with the production capacity from 20 to 30 million litres per year)
- Canning industry (annually processing 3000 to 5000 tons of raw materials).
- Complex poultry and cattle breeding farms
- Dairy goods, milk and milk products factories
- Fibre drying industry
- Fruit and pickle processing, jams, syrups and juices
- Grain products factory
- Non-alcoholic wine and spirit bottling enterprise.
- Processing of animal remains
- Slaughter-houses (medium scale) and meat packing plants
- Smoking or drying of food products
- Sugar production
- Yeast production

Forestry and forest products³

- Timber and wood furniture factory
- Use of forestry fund lands (>100 hectares) for non-forestry purposes
- Wood felling - on forest area greater than 500 hectares

² There is no specific requirement for EA of agricultural, horticultural or orchard and vineyard activities under local Law, so the project will specify >50ha as Category B and <50ha as Category C.

³ These data on forestry use are from Georgian Law, but seem excessive.

Bank Category-C sub-projects (Georgia Law Category-3)

Category-C sub-projects are likely to have minimal or no adverse environmental impacts. Beyond screening, no further EIA action is required. Category-C includes activities, the scope, location and content of which will not bring about serious impact on the environment.

The regional bodies of the Ministry of Environment of Georgia as well as the Ministries of Environment of Ajarian and Abkhazian Autonomous Republics shall issue environmental protection permits. The obligatory integral part of the procedure for the issue of the permission shall be the following:

- State ecological expertise; carried out in a manner established by law
- Notification to the community of the planned activity.

Sub-projects that would be in Category-C

Agriculture (small scale)

- Agriculture, horticulture, vineyards and orchards (small scale <50 hectares)
- Construction of a grain drying, cleaning, storage and silo towers
- Construction of buildings to store agriculture goods and agricultural products
- Construction of glass-houses or polytunnels
- Construction of warehouses for chemical pesticides and mineral fertilizers
- Production of flax
- Utilization of agricultural land (20 to 30 hectares) for non-agricultural purposes

Food processing industries (small scale)

- Breweries, liquor, cognac, vodka distillers, wine production (with production capacity 10 to 20 million litres per year)
- Canning industry (processing <3000 tons/year of raw materials).
- Collection of medicinal herbs
- Construction of a roasting enterprise (coffee beans, sunflower etc)
- Construction of agricultural products process buildings, facilities and enterprises
- Establishment of egg product enterprise (capacity exceeding 40 tons/year)
- Establishment of semi-finished food factories (capacity exceeding 200 tons/year)
- Production of non-alcoholic beverages
- Production of tobacco
- Setting up slaughter-houses (small scale) and butcheries

***Forestry and forest products*⁴**

- Construction of buildings for timber storage (land-based, water spraying or on-water of more than 1000 cubic meters)
- Establishment of a sawmill (capacity exceeding 1000 cubic m3/year)
- Using of forestry fund lands (area 50 to 100 hectares) for non-forestry and economic purposes.
- Wood-felling - forest area 100 to 500 hectares

⁴ These data on forestry use are from Georgian Law, but seem excessive

ANNEX-4 ENVIRONMENTAL MITIGATION

Likely Impacts, mitigation, and permissible limits of pollutants

Environmental Management Plan (EMP)⁵

The projects environmental management plan (EMP) comprises of identification of likely environmental impacts, a set of mitigation measures to combat the impacts, and monitoring to ensure the measures are adequate. This may involve mitigation, monitoring and institutional measures to be taken during implementation and operation to eliminate adverse environmental and social impacts, offset them, or reduce them with cost effective measures to acceptable levels.

Most farming, orchards, horticulture and forestry operations have the potential to harm the environment through the use of chemicals, and due to inappropriate land and water management. Medium-scale agriculture (>50 ha) that uses fertilizers, pesticides and other farm chemicals would be Environmental Category-B, and smaller operations (<50ha) would be Category C. The PFI should verify the proponent's ability to maintain good practice in the use and storage of farm chemicals and in land and water management, and the PMU will provide relevant Bank guidelines where required.

Most processing industries produce some form of pollution and need to treat their effluent, control dust and smoke, dispose of solid wastes, and limit noise pollution from the plant. They are also subject to health and safety laws, and require permits to operate. Most medium scale processing plants that are potential applicants for project funding would be Category-B. Small-scale processing industries (cottage processing and on-farm processing) would be Category C and are less likely to create environmental problems. In the unlikely event of an application for investment in a large scale processing plant this would require an EIA report and EMP.

In sub-projects where environmental mitigation is required, a typical environmental mitigation plan would be as shown in Table-7:

Table-7 : Environmental Mitigation Plan

Project phase	What is to be mitigated	How and where will it be mitigated	Responsibility	Cost
Construction	-			
Operation	-			
De-commissioning	-			

The following paragraphs cover the likely environmental impacts of different activities, possible mitigation of environmental issues, and guidelines on the permissible limits of various pollutants:

⁵ For description of EMP see Bank Operational Manual OP 4.01 Annex-C

- Airborne pollution
- Waste water treatment
- Solid wastes
- Noise pollution
- Use of chemicals
- Irrigation and drainage
- Use of water for agriculture and industry
- Health and safety in the workplace

Airborne pollution

All processing plants and some horticultural operations that have steam boilers, heating systems or food smoking processes will produce smoke. All dry processing of agricultural products will produce dust. These will require smoke and dust control and air filtration to bring the air quality both inside and outside the plant within National Standards. This includes:

- Animal feed mills
- Drying towers for milk powder, egg powder etc
- Grain handling, flour milling facilities and pasta production
- Meat smoking sheds
- Seed processing and packing
- Tea processing
- Tobacco industries
- Timber and board mills
- All other agro-industries involving dry powder processing plants.

Mitigation: The sub-project proponent must observe Georgian Law on Ambient Air (1997) covering licences, standards and permitted limits. The proponent must include in the proposal an estimate of dust and airborne particulates before treatment (mg/m³ of particulate suspended in the air) and the design of the dust extraction and filtration plant to mitigate air discharged from the plant within National Standards. Health and safety is also an issue, as workers must be protected from inhalation of dust within the plant. All equipment and processes must operate within W.B. environmental guidelines for working environments; Dust collection ducts are to be installed at all points of potential dust emission within the plant, and dust is to be discharged to separators for disposal as solid waste or, preferably, recycled or used as fuel at the plant.

Permissible limits: Limits within working areas and at the air discharge from the plant are set by National and Local authorities, but are likely to be <10 mg/m³ of particulate matter in the discharge air. Local authorities will provide the actual set limits on permits issued to the sub-project.

Wastewater treatment

All wet processes for food and beverage production will require liquid wastewater treatment to bring the effluent strength down to National Standards before discharge from the plant. This includes:

- Fruit processing; jams, pickles and juices

- Leather industries; skins, leather and leather goods processing
- Milk and milk products factories; cheese and ice-cream production
- Paper mills and pulp mills
- Slaughterhouses, meat and meat products
- Starch mills
- All other agro-industries involving wet processing, or chemical cleaning of the processing plant.

Mitigation: The proponent must observe Georgian Law on Waters (1997) covering licences, standards and permitted limits. The sub-project proponent must include in the proposal an estimate of effluent strength before treatment (BOD, COD, TS, pH, and any other significant pollutants) and the design of the wastewater treatment plant to mitigate the potential pollution, with a guarantee to discharge effluent from the plant within National Standards.

Permissible limits: This may vary dependent on the environment into which the effluent is being discharged; river, lake, sea or community sewer. As a general guide, limits for discharge into lakes are lowest at approximately 30-60ppm BOD, into rivers or sea at approximately 60-200ppm BOD; TS 200mg/litre and pH 6-9. Discharge into community sewers at any limit set by local regulations depending on local authority ability and willingness to treat the effluent. Local authorities will provide the actual set limits on permits issued to the sub-project.

Solid wastes

Most agriculture, livestock production, agro-industries, packaging and marketing operations produce solid wastes. All wet and dry processes (covered above) also produce solid wastes from their wastewater settling tanks and dust filtration systems. All plants and facilities with steam or hot water boilers or heating systems using solid fuels (coal, wood etc) produce solid waste from ash and clinker. Fresh food and processed food markets produce solid wastes from their day-to-day operations. All livestock production units produce manure and other solid wastes, and most manufacturing and packaging processes produce solid waste.

Mitigation: In many cases the solid wastes can become a raw material for other products:

- Dust from wood industries used as boiler fuel or for particle board
 - Oil cakes used as animal feeds
 - Organic waste materials used as compost or fertilizer
 - Seed and grain wastes used for animal feed production
 - Clinker from boilers used as construction material
 - Paper, glass, some plastics and metals can be recycled
- In other cases there may be no alternative to disposal in landfill sites and incinerators, but all other possibilities of ecological re-use should be explored first.

Permissible limits: There are no limits for solid wastes but the sub-project proponent must include in the proposal an estimate of solid waste production (tons per day of each type of waste) and its pollution potential, and design effective use or disposal of the solid waste in an environmentally acceptable and safe manner. Disposal methods

must meet local and National Standards, by-laws and regulations. Local authorities should issue permits.

Noise pollution

All processing and services equipment procured for the project is to be specified to operate within the noise limitations of National Standards and W.B. environmental guidelines for working environments.

Mitigation: The proponent is to identify any equipment or areas that exceed the permissible limits, and to define the mitigation measures that will be taken to protect workers and residents from noise levels higher than those stated. Within the plant this may include ear protection for workers, and outside the plant may include sound baffles or tree planting programmes. In any case the proponent must be able to demonstrate the practicality and permanence of the proposed mitigation.

Permissible limits: As a general guideline the noise generated by equipment should not exceed 85dB at the operating station of the equipment; not to exceed 63 dB at locations in the plant where personnel will be working on a continuous basis during the day (on packing lines for example); where plant buildings are in the vicinity of offices or residences, noise is to be <55 dB outside of the plant building during daytime and <45dB at night. Local authorities will provide the actual set limits on permits issued to the sub-project.

Use of Chemicals

Both farming and agro-processing use chemicals that are potentially hazardous. The sub-project proponent must state the expected type of chemicals to be used and the strength and volumes of those chemicals. In the case of farm chemicals they must be selected from the WB approved list of chemical products.

- Does the agricultural production activity involve the use of fertilizers, pesticides or other chemicals in large quantities to cover lands exceeding 100ha in area?
- Does the agro-processing activity involve the use of chemicals for cleaning or process chemicals utilising more than 100kg/day of chemicals?
- Does the activity involve cold storage or deep freeze with the storage or use of refrigerants in large quantities (over 500m² cold storage area)?

Mitigation: If the answer to any of the above is positive the proponent will require an EIA, with special focus on impacts as they relate to the use and handling of chemicals and on cumulative effects, and a clear plan for mitigating these impacts. If smaller quantities of chemicals are to be used the proponent will be required to demonstrate good management of chemicals – their storage, use and handling.

Irrigation and drainage

It is not expected that there would be any irrigation under Georgia RDP, but in the case that any sub-proposals containing an irrigation sub-component are received they should be screened and categorized, and EIA may be required:

- Small scale irrigation or drainage component <100 ha irrigated area Category B⁶
- Large scale irrigation or drainage component >100 ha irrigated area EIA required
- Regulation (by dam or diversion) of a natural watercourse Category-A

Use of water in agricultural production and agro-processing

The sub-project proponent may need to extract groundwater or surface water or connect to local water supply networks to supply farms, orchards, nurseries or processing plants with water. To do this the proponent must observe Georgian Law on Waters (1997) covering licences, standards and permitted limits. In the sub-project application the proponent should state the water needs of the sub-project:

- Does the proposal require potable water supply?
- Does the proposal require non-potable water supply?
- The total volume used in litres/day
- The peak demand in litres/hr
- The source of water (ground, river, reservoir, local network etc)

Mitigation: Good farming practices and good process design can minimise the volume of water consumed, thereby saving energy and water. Efficient irrigation systems and, at the processing plants, water recycling, steam condensate recycling etc, should be designed into the process.

Permissible limits: Food processing plants are particularly high users of water and should be encouraged to minimise water use. Good practice should keep below the following limits:

- Milk industry : Water use <3.0 x milk intake volume
- Fruit, preserves, pickles : Water use <1.5 x finished product volume
- Meat industry : Water use <2.0 x raw material volume
- Wine industry : Water use <1.0 x finished product volume

Health and Safety Standards in Processing Industries

Safety standards for the working environment are to meet National and WB safety standards for working environment. Some items that may be relevant to the project are as follows:

Operating machinery: All operating machinery is to be fully protected with safety guards to protect workers from injury from moving parts. No open drive belts, pulleys or chains are to be accessible without removal of fixed guards. No access to internal moving parts for cleaning or clearing blockages should be provided, without an auto stop mechanism to protect the worker when opening the equipment for cleaning.

Protection against dust and noise: All workers are to be protected against inhalation of dust or noxious chemicals, and against excessive noise in the workplace. Refer to the relevant paragraphs on Air Pollution, Noise Pollution and Hazardous Chemicals (above).

⁶ There appears to be no local definition of small/large scale in reference to irrigated area, but 100 hectares would be a suitable cut-off point for small-scale irrigation under Category B, and larger schemes should have an EIA report.

Pressure vessels: All pressure vessels are to comply with the National boiler regulations and National pressure vessel regulations or with ASME Code (or equivalent), and are to be fitted with safety devices required by these standards.

Electrical safety: All electrically driven equipment is to be fitted with a local lock-off isolator switch or local lock-off push button to protect maintenance workers from accidental start-up, unless the main switch panel is located within 6m of the equipment, and is not concealed in any way from the location of the equipment.

Community activities

Minor construction: Georgia RDP may finance small construction projects in the community necessary for linkage of community functions with production, processing and marketing activities. These could include collection centres for milk or farm produce, and veterinary services for livestock. It is not expected that such sub-projects would cause any significant environmental impact, but they should be screened for potential environmental considerations; solid waste disposal, disturbance (dust, noise, etc.), and environmental contamination during operation of the facilities.

Access roads and bridges: RDP would support the construction of farm access roads (that may also include small bridges), or road rehabilitation and maintenance. These do not result in major impact but should also be screened during sub-project planning. Impact from rural road construction may occur during construction and operation (noise and safety hazards), and EIA should be considered if road upgrading significantly changes traffic patterns. Access road construction could involve land purchase and resettlement, and this is covered in Annex-7.

ANNEX-5 ENVIRONMENTAL MONITORING AND REPORTING

Environmental monitoring is part of the Environmental Management Plan (EMP) of the project. Monitoring during project implementation provides information about key environmental aspects of the project, particularly environmental impacts, and the effectiveness of mitigation measures.

Environmental monitoring of long term issues

The Ministry of Environmental and its local agents will decide on measures to monitor the long-term effects of activities that could have negative environmental impacts. This may include monitoring by its staff, or by specialists contracted to undertake specific monitoring duties. Typically this may include:

- Monitoring effluents from production units and factories, and monitoring the water body into which effluents discharge, to ensure no negative impacts
- Monitoring air quality in and around mills to ensure compliance with air quality standards
- Monitoring soil/water conditions in and around chemical and fuel storage depots and chemical mixing plants to ensure no negative impacts
- Monitoring forestry and large scale farming operations to ensure the ecology is being maintained (run-off and erosion)
- Monitoring wet-lands or areas of scientific, natural or historic interest where they may be affected by the project

Special environmental studies may also be called for in the event of sudden environmental change near to a sub-project activity. The frequency of monitoring and type of samples analysed would be dependent on the nature of the pollutant.

In sub-projects where environmental monitoring is required, a typical environmental monitoring plan would be as shown in Table-8.

Table-8 : Environmental Monitoring Plan

Project phase	What is to be monitored	How and where will it be monitored	Frequency of monitoring	Responsibility	Cost
Baseline	-				
	-				
Construction	-				
	-				
Operation	-				
	-				
De-commissioning	-				
	-				

Environmental Monitoring by the PFI and reporting to the Bank

PFI's are required to submit annual reports on the environmental performance of the loans financed using WB funds. This should include a list of monitoring reports from sub-project borrowers, and a list of reports from the Ministry or it's Agents. Such reports should be brief and focus on the following:

- List of loans made and the proposed activities of the sub-project
- Environmentally positive effects or opportunities associated with particular loans
- Environmentally negative effects associated with particular loans, and mitigation plans
- The effectiveness of mitigation measures.
- Any material environment-related accidents, litigation, complaints, or fines for non-compliance with environmental or health and safety regulations brought to the PFI's attention or otherwise known to the PFI
- Loans rejected on environmental, health and safety grounds
- Difficulties and/or constraints related to the implementation of the environmental procedures.

To help the PFI prepare such reports, it should require that its borrowers notify the PFI immediately of any accidents and incidents (e.g. spillages) which have or are likely to have a material adverse effect on the environment, health or safety, including any remedial action planned or taken by the client in response to the accident/incident. In the event of serious environmental issues the PFI should also inform the PMU. The Annual Environmental Report format is shown in Table-9.

Table-9 : Annual Environmental Report format for PFI's

Participant Bank or PFI :

Reporting dates From : To :

Originator :

Sub-projects environmentally accepted

Sub-project title (Name, location, title or reference)	Activities (Funded by project)	Project phase <1> (see note <1> below)	Environmental category (WB category A, B or C)	Positive impacts (List them)	Negative impacts (List them)	Mitigation measures (effluent treatment, noise control etc.)	Effectiveness of mitigation (Good or Poor and needs improving)	Issues <2> (List them – see note <2> below)
1.								
2.								
3.								
etc.								

Sub-projects environmentally rejected

Sub-project title	Activities	Reasons for rejection	Conditions for sub-loan reconsideration <3>
1.			
2.			
3.			
etc.			

Notes:

- <1> Sub-project phase will be one of the following a) Under preparation or appraisal, b) Appraised or c) Implementation
- <2> Issues : Accidents, litigation, complaints or fines are to be listed.
- <3> Sub-projects rejected for environmental reasons may be reconsidered at the discretion of the PFI, but conditions for reconsideration must be stated.

ANNEX-6 PUBLIC CONSULTATION

Public Consultation

Consultation is essential in any circumstances where the sub-project will affect local communities or individuals that are not directly part of the sub-project.

The physical and social environment must not be changed to the detriment of local residents, and any changes must be with their agreement. Consultation will involve public participation of affected community members and NGOs. The sub-borrower must:

- Provide compensation to the community (replacement of public amenities etc)
- Fully consider cumulative impacts
- Deal with political and social problems associated with development
- Offer further consultation and participation with affected communities

In the event of public consultation, minutes are to be recorded of the discussions and records maintained of any public objections to the sub-project, together with the mitigating measures proposed by the sub-project proponent. The sub-borrower must provide the PFI with a report (where appropriate) describing the consultation with residents and of their support or rejection of the development plans.

ANNEX-7 LAND AND RESETTLEMENT

World Bank requirements on the PFI

For operations that may involve land acquisition and involuntary resettlement, the Bank requires that the PFI screen sub-projects for consistency with the guidelines below. The PFI must also submit to the Bank a resettlement policy framework including an assessment of the institutional capacity and procedures to implement the policy. The borrower is responsible for monitoring that resettlement is implemented according to the plan, and to report to the Bank. For guidance on this refer to World Bank Operational Policy 4.12 dated December 2001 that provides further details of these requirements.

Involuntary resettlement

Involuntary resettlement may cause severe long-term hardship, impoverishment, and environmental damage unless appropriate measures are carefully planned and carried out. World Bank policy requires that:

- Involuntary resettlement should be avoided wherever possible
- Where this is not feasible, resettlement should be executed as sustainable development programs

- Displaced persons should be meaningfully consulted and participate in the planning of resettlement programs
- Should be assisted to improve their livelihoods at least to pre-displacement levels.

Assuming that there would be no sub-projects where more than 200 persons are displaced, Bank policy requires that the borrower/sub-borrower should:

- Provide a resettlement plan and ensure that displaced persons are:
 - o Informed of their options and rights
 - o Provided with technically and economically feasible alternatives
 - o Provided prompt compensation at full replacement costs
- If physical relocation is necessary the resettlement plan should ensure that displaced persons are:
 - o Provided with housing/land at which productive and economic potential is at least equivalent to the old site
 - o Provided with assistance (moving allowance etc) and support for a reasonable transition period to restore their livelihood
- Cash compensation payments may, alternatively, be appropriate where
 - o A small proportion of individuals land is taken for the project
 - o There is an active market for (equivalent) land and housing that the displaced person could purchase

Compensation

In the event that any displacement of people occurs as a result of the establishment of the sub-project, a full account must be provided of the numbers of individuals and families involved and of the compensation package that is provided. As a general rule, the displaced persons must certify that they are satisfied with the compensation and that it leaves them with circumstances that are at least equivalent to “without-project” situation. In the case of any resettlement whatsoever the World Bank must be notified of the numbers involved and the compensation package offered.

ANNEX-8 ACCEPT/REJECT DECISION MAKING

It is the responsibility of the PFI and its loan officers to accept or reject a sub-project proposal on the grounds of environmental issues. Providing that the sub-project has been adequately screened into Bank Categories-A, B or C and that adequate EMP is proposed to mitigate all environmental issues and adequately monitor the results, there should be no reason to reject a sub-project on environmental grounds.

In some instances, however, there may be a number of environmental issues associated with a sub-project, and cumulatively the issues could be more serious than any one individual issue would indicate. For example, a sub-project may have several issues that individual screening would put in Category-B or C. Cumulatively, however, the environmental issues may be more serious, and the sub-project may need a more stringent EMP, be screened into a higher Environmental Category or be rejected out of hand.

The PFI may use a checklist to provide a score of magnitude of impacts to produce a cumulative index. The higher the index the higher the environmental risk of the sub-project. Using Table-10 as a guide and noting that each activity requires its own individual score – the cumulative score of impacts will provide the overall score for that sub-project.

Table-10: Guideline for screening cumulative environmental impacts

Activity Risk	Significance of Impacts	Examples	Score
None	There is no detectable impact of any kind as a result of the activity	A procurement project with no direct impacts	0
Low	Small changes, measurable, usually confined to a small area, mitigation is simple or not necessary	Market facilities: small social disruption. Small scale processing, small scale farming; creates minor pollution	1
Low-moderate without mitigation	Measurable losses, or ecosystem disruption; ecosystem able to cope without mitigation	Small-medium scale agro-processing, livestock production, slaughter facilities; potential to produce some minor pollution	2
Moderate with mitigation	Measurable losses, or ecosystem disruption; Proposed EMP is adequate but in the event it is not fully used, ecosystem would be disrupted	Medium scale agro-processing, livestock production, slaughter facilities, most category B sub-project activities with potential for pollution or disruption	3
High	Substantial losses or ecosystem disruption: Ecosystem would probably still function at a lower level. EMP inadequate or difficult/costly to operate and maintain	Livestock overgrazing or deforestation causing land erosion. Paper mills, chemical mix plants, leather production etc	5

The sub-project may comprise many activities, and the cumulative score of the activities would indicate to the PFI the overall risk of the sub-project.

- If cumulative score is 5 or less the screened Environmental Category for individual activities is probably adequate.
- If cumulative score is >5 the appraised Environmental Category may be inadequate, and additional requirements may be placed on the sub-project.

The proponent may be required to:

- o Describe in detail the impacts likely to be experienced.
- o Determine practical and reasonable EMP to be followed.
- o Describe EMP measures to be taken, and good practices to be followed, to address impacts
- o Prepare a monitoring schedule

The PFI will be required to:

- o Discuss with Government environmental agency for input and support
- o Ensure EMP is incorporated into sub-loan agreement.
- o Agree the monitoring schedule and ensure EMP implementation.
- o Monitor activity on a regular basis.

ANNEXES 9 TO 11 – REFERENCE DATA AND INFORMATION

Annex-9 to Annex-11 contains reference information, detail of policies, categories and laws that may need to be referred to by the PFI.

Information and data for reference purposes

Annex-9	World Bank Safeguard Policies
Annex-10	World Bank Environmental Categories
Annex-11	Georgian Environmental Laws and Regulations

ANNEX-9 WORLD BANK SAFEGUARD POLICIES

Bank Safeguard Categories

In view of the involvement of Financial Intermediaries in the project the safeguards category 'SF' has been selected as follows:

S1 – should be chosen for projects with potential severe safeguard impacts, either because of the number of safeguard policies triggered, or because of the high potential impact associated with one or more policies.

S2 – Should be chosen for projects with less severe potential safeguard impacts, either because of a very small number of safeguard policies triggered, with none of them having major impacts, or because of medium potential impacts associated with a single policy.

S3 – Should be chosen for projects with no safeguard issues.

SF – Should be chosen for Financial Intermediaries, social development funds, community driven development or any other projects involving on-lending or passing grants to local communities. Adjustment programs should not be classified as SF.

For the most recent information on World Bank Safeguard Policies check the Website at www.worldbank.org/environment

Table-11: Bank Safeguard Policy

		Relevance to RDP
Environmental assessment (EIA)	Bank financed projects must be environmentally sound and sustainable. Type and detail of EIA depend on nature, scale and potential environmental risks.	Highly likely if there are any large-scale processing industries
Natural habitat	The Bank supports the protection, maintenance and rehabilitation of natural habitats and does not support projects that involve the significant conversion or degradation of critical natural habitats.	Possible if sub-projects involve wet land areas
Forestry	Policy relates to tropical rain forests and is not relevant to Georgia RDP.	None
Pest management	The Bank supports the use of biological or environmental control of pests, and strategies that reduce the reliance on synthetic chemical pesticides. It supports integrated pest management and the safe use of agricultural pesticides.	Likely if there are any sub-projects that involve large-scale production activities
Involuntary resettlement	People who have to be removed or who lose their livelihood as a result of the project must be resettled, compensated for all of their losses, and they must be re-located with a situation that is at least as good as the one from which they came.	Possible for some new minor access roads. Unlikely for industries
Indigenous peoples	Local indigenous people or distinct groups who are marginalized in society and who could be adversely affected by the project	Unlikely

continued next page

Table-11: Bank Safeguard Policy (continued)		Relevance to RDP
Cultural properties	The Bank supports the preservation of cultural properties that includes sites with archaeological, paleontological, historical, religious or unique natural values. It seeks to avoid impacts on such sites.	Unlikely
Dam safety	Bank financed new dams must be designed and built under the supervision of competent professionals. Dams over 15 metres in height are of concern particularly if there is a large flood handling requirement or the dam is in a zone of high seismic activity and/or where foundations and other design features are complex.	None – no dams are envisaged in Georgia RDP
Projects on international waterways	Any project that may affect the water quality or quantity of a waterway shared with other nations.	Unlikely
Projects in disputed areas	Projects in disputed areas could affect relations between the country within which the project is being developed and neighbouring countries. Disputes would be dealt with at the earliest opportunity.	Possible in Autonomous regions but the project will not cover disputed areas.

ANNEX-10 WORLD BANK ENVIRONMENTAL CATEGORIES

Environmental Categories

The following is an excerpt from the World Bank's Operational Policy 401 Environmental Assessment, one of the Bank's ten Safeguard Policies.

The Bank undertakes environmental screening of each proposed project to determine the appropriate extent and type of Environmental Assessment (EIA) needed. The Bank classifies the proposed project into one of four categories (A, B, C or FI), depending on the type, location, sensitivity, and scale of the project, as well as the nature and magnitude of its potential environmental impacts. A fifth category (D) was in the earlier Operational Policy but has been deleted.

Category A: A Category A project is likely to have significant adverse environmental impacts that are sensitive, diverse, or unprecedented. These impacts may affect an area broader than the sites or facilities subject to physical works. The EIA for a Category A project examines the project's potential negative and positive environmental impacts, compares them with those of feasible alternatives (including the "without project" scenario), and recommends any measures needed to prevent, minimize, mitigate, or compensate for adverse impacts and improve environmental performance. For a Category A project, the borrower is responsible for preparing a report, normally an Environmental Impact Assessment (or a suitably comprehensive regional or sectoral EIA).

Category B: A Category B project has potential adverse environmental impacts on human populations or environmentally important areas - including wetlands, forests, grasslands, and other natural habitats - which are less adverse than that of Category A projects. These impacts are site-specific; few if any of them are irreversible; and in most cases mitigatory measures can be designed more readily than for Category A projects. The scope of EIA for a Category B project may vary from project to project, but it is narrower than that of Category A assessment. Like Category A, a Category B environmental assessment examines the project's potential negative and positive environmental impacts and recommends any measures needed to prevent, minimize, mitigate, or compensate for adverse impacts and improve environmental performance. The findings and results of EIA for Category B projects are described in the project documentation (Project Appraisal Document and Project Information Document).

Category C: A Category C project is likely to have minimal or no adverse environmental impacts. Beyond screening, no further EIA action is required.

Category D: This special category for environmental projects was included in the original Operational Directive on Environmental Assessment issued in 1989. The category was deleted in the 1991 revision of the Operational Directive and is no longer in use. It was originally used to classify environmental projects for which separate environmental assessment may not have been required due to the fact that the environment was a major focus of project preparation.

Category FI: A Category FI project involves investment of Bank funds through a financial intermediary (FI), in subprojects that may result in adverse environmental impacts. (Also known as Category F)

Sub-categories of Category FI: Sub-projects may be defined as Category A, B or C within the FI Category. Where PFI operations are expected to have Category A sub-projects, the PFI will provide to the Bank a written assessment of the institutional mechanisms for sub-project EIA. This is done prior to the Bank's appraisal of the PFI and may include identification of measures to strengthen the EIA capacity of the PFI.

If the Bank is not satisfied that adequate EIA capacity exists within the PFI, all Category A sub-projects EIA reports and, where appropriate, Category B sub-project EIA reports, are subject to prior review by the Bank.

It is important that the project management unit and the lending institution be able to identify activities for which funding is being requested and which may fall into either of the World Bank's Category A or Category B. For the most recent information on environmental categories see Website www.worldbank.org/environment

Table-12: World Bank Categories for Environmental Assessment Purposes

Category A Projects and Sub-projects:

Projects/components that may have diverse and significant impacts – normally require EIA

- Dams and reservoirs
- Forestry production projects
- Industrial plants (large scale) and industrial estates, including major expansion, rehabilitation, or modification
- Irrigation, drainage and flood control (large scale)
- Aquaculture
- Land clearance and levelling
- Reclamation and new land development
- Resettlement
- River basin development
- Manufacture, transportation and use of pesticides or other hazardous and/or toxic materials
- New construction or major upgrading of highways or rural roads

Category B Projects

Projects/components that may have diverse and significant impacts – more limited environmental analysis appropriate

- Agro-industries (medium scale)
- Electrical transmission
- Irrigation and drainage (medium scale)
- Renewable energy
- Rural electrification
- Tourism
- Rural water supply and sanitation
- Watershed projects (management or rehabilitation)
- Protected areas and biodiversity conservation
- Rehabilitation of highways or rural roads
- Rehabilitation or modification of existing industrial facilities (medium scale)
- Energy efficiency and energy conservation

ANNEX-11 GEORGIAN ENVIRONMENTAL LAWS AND REGULATIONS

Georgian legislation and policies in the area of environmental protection

Georgian Constitution (article 27) stipulates that the citizens of Georgia have the right to a healthy environment. The laws regarding environmental protection reflect Georgia's position in this sphere, take into consideration requirements of international conventions and treaties, and cover the whole range of protective measures.

The Georgian policy in the area of environmental protection reflects the view that economic development policies should not have negative impact on the environment. Hence, consideration of environmental issues for preservation of ecological balance is obligatory during rehabilitation and new construction of social and economic infrastructure.

Laws and by-laws on environmental protection

Georgian Law on "Environmental Protection" (1996)
Georgian Law on "Water" (1997)
Georgian Law on "Ambient Air" (1997)
Georgian Law on "Soil Protection" (1994)
Georgian Law on "Environmental Protection Permits" (1997)
Georgian Law on "State Ecological Expertise" (1997)
Georgian Law on "Soil" (1996)
Georgian Law on "Protection of Animals" (1996)
Georgian Law on "Systems of Protected Territories" (1996)
Georgian Law on "Tourism and Resorts" (1997)
Georgian Law on "Protection of Plants from Harmful Organisms" (1994)
Georgian Law on "Establishment and Management of Kolkheti Natural Areas" (1998)
Georgian Law on "Compensation of Losses Caused by Utilization of Toxic Substances" (1999)
Georgian Law on "Transit Movement and Waste Import on the Territory of Georgia"

Georgian Law on Environmental Protection (1996)

This Law determines the general environmental protection framework related to air and water pollution, sanitation and waste management, noise and other environmental issues. Also, it defines how the future environmental protection laws will be elaborated and approved.

Georgian laws on "Environmental Protection Permits" and "State Ecological Expertise" (1997)

These laws define economic activities, which require environmental protection permits; procedures for obtaining environmental clearance (including assessment of impact on environment) and procedures regarding review of permits application (the so called "State Ecological Expertise"). The Environmental Permission assesses broad ecological impact of the proposed facility operations, but does not define specific

ecological impact limits for air and waters. The assessments is carried out upon the presentation of the application for receiving the relevant license.

Georgian Law on Waters (1997)

This Law regulates environmental issues related to surface waters, underground waters, current spring waters and territorial limits and determines rules necessary for getting licenses regarding water intake and falloff. The water preservation standards whose objective is to preserve the water resources are specified in the surface water protection norms and standards (1996). The latter describes the methodology for calculation of the permitted limit of falloffs.

Georgian Law on Ambient Air (1997)

This Law regulates quality control norms of the living environment air and temporal methodology of air pollution limitation. Comparison of air quality with the relevant standards, which are based on the State Standards (see, State Standards 17.0.0. 09-79-17.2.6.02-85 (paragraph 18).

Georgian Law on Toxic Chemical Elements (1998)

This Law defines classification, safe consumption, testing, marking, export/import, transporting, storing and utilizing norms of the toxic chemical substances. It also regulates respective roles of the Ministry of Environment and Natural Resources Protection, Ministry of Industry and Ministry of Construction and Urbanization in regulating these activities.

The Ministry

The Ministry of Environment and Natural Resources Protection is the structure of the Georgian executive body, which is responsible for elaboration and implementation of the State policies regarding environmental protection issues.

Georgian Environmental Laws

Relevant extracts of the following two laws are printed here, as they are particularly relevant to the Project, and may need to be referred to by the PFI. In particular the laws detail how to prepare the EIA report, and who should issue permits.

The Law of Georgia on the State Ecological Expertise:

ARTICLE 3 : Key principles of the state ecological expertise

ARTICLE 4 : Body authorised in carrying out the State Ecological Expertise, its rights and obligations

ARTICLE 5 : Objects subject to State Ecological Expertise

ARTICLE 6 : The rule for carrying out State Ecological Expertise

ARTICLE 7 : State Ecological Expertise Opinion

ARTICLE 8 : Environmental Impact Assessment procedure

The Law of Georgia on Environmental Permits.

ARTICLE 2. The object of the law

ARTICLE 4. Categories of activities

ARTICLE 5. Application for environmental protection permission

ARTICLE 7. Procedure for issue of environmental permits for first category activities

ARTICLE 8. Procedure for issue of environmental permits for category II activities

ARTICLE 9. Procedure for issue of environmental permits for category III activities

ARTICLE 10. Procedure for issue of environmental permits for category IV activities

ARTICLE 13. Rights and responsibilities of the investor

ARTICLE 14. Environmental impact assessment procedure

THE LAW OF GEORGIA ON THE STATE ECOLOGICAL EXPERTISE

ARTICLE 3 : KEY PRINCIPLES OF THE STATE ECOLOGICAL EXPERTISE

The key principles of the state ecological expertise shall be:

1. Potential ecological risk assessment arising from entrepreneurial or other types of activities specified by the law;
2. All-round assessment of the possible impact of entrepreneurial or other type of activities on the environment prior to their commencement;
3. Giving heed to environmental requirements and standards;
4. Independence of experts and unlimited execution of their powers;
5. Argumentation and legality of the expertise conclusion;
6. Publicity in carrying out of the expertise. Public participation and consideration of public opinion.

ARTICLE 4 : BODY AUTHORIZED IN CARRYING OUT THE STATE ECOLOGICAL EXPERTISE, ITS RIGHTS AND OBLIGATIONS

1. The Ministry of Environment of Georgia, the Ministries of Environment of Ajarian and Abkhazian Autonomous Republics, regional (urban) environmental divisions included into and subject to the Ministry of Environment of Georgia (including the Tbilisi Committee for environmental protection and regulation of natural resources), as well as the regional structural sub-divisions of the regional (urban) environmental divisions, Ministries of Environment of Ajarian and Abkhazian Autonomous Republics, and the Tbilisi Committee for environmental protection and regulation of natural resources (further referred to as the bodies authorized to carry out state ecological expertise) shall be authorized to carry out state ecological expertise.
2. The obligations of the Ministry of Environment of Georgia shall be:
 - to elaborate and approve provisions and the rule for conducting state ecological expertise;
 - to elaborate and approve necessary normative-technical documentation and methodical instructions.
3. The body authorized to conduct the state ecological expertise shall be obligated:
 - to set up expert commissions intended for studying the objects subject to the expertise;
 - to provide the expertise process with required information;
 - to register independent experts and to develop their data base;
 - to cooperate with executive authorities on state expertise related issues.
4. In the state ecological expertise area the Ministry of Environment of Georgia shall have the right to:
 - invite, in accordance with the established rule, in the process of making decisions on the issue of environmental permits for the activities, foreign specialists to conduct state ecological expertise except for the cases when the expert project is a state or commercial secret;
5. The body authorized to carry out state ecological expertise shall have the right to:
 - obtain from executive authorities and state juridical persons free of charge information (data, statistics and including the information for official use), required to conduct state ecological expertise, within the period specified by the law;
6. The body authorized to carry out state ecological expertise shall be obligated to:
 - ensure the compliance of state ecological expertise with the legislation in force, normative-technical documentation and methodical instructions;
 - provide for familiarization the applicant of an expert object (an activity entity) with legislative, normative-technical documentation and methodical instructions regulating the organization and execution of the state ecological expertise;

- at the request of public representatives, to provide them for familiarization purpose, the documents regulating the conducting of the state ecological expertise;
- notify local authorities and public representatives having submitted argued comments on an expert object, the results of their comments review;
- at the request of government authorities, deliver the information on the results of the state ecological expertise carried out at an individual object;

ARTICLE 5 : THE OBJECTS SUBJECT TO STATE ECOLOGICAL EXPERTISE

The object of the state ecological expertise shall be the evidential documentation of all the activities the list of which, apart from entrepreneurial and other types of activities, shall include the following:

- the drafts for: infrastructural planning (urbanization and town-planning, industrial, power systems and transport infrastructure development programmes including the projects for: purification facilities for populated areas, highways, railways and airfields, bridges and viaducts, main pipelines designated for any purpose, marine ports and terminals, metros, underground road and railway communications, hotel and resort complexes, sport complexes and facilities, hospitals of oncological, infectious and tuberculosis diseases), development plans for populated areas, settlement and sectoral development plans and programmes, production capacities development and placement schemes, plans and programmes, which should be approved, adopted and confirmed by the state executive and legislative authorities;
- construction, reconstruction, conservation, expansion, technical and technological re-equipment projects (notwithstanding the ownership and organizational-legal forms of the activity entities) pertaining to the activity;
- long-term rehabilitation programmes for the territories where emergency ecological situation, resulting from ecological catastrophes and epidemics, was announced;
- schemes and plans for protection, use and utilization of water, forests, woods, soil, mineral wealth and other natural resources existing on the territory of Georgia;
- projects and programmes pertaining to changing the purpose and status of the territories;
- layouts and projects of all types of economic and engineering objects (national, regional and local) targeted at evading negative effects of natural disaster processes on the territory of Georgia.

ARTICLE 6 : THE RULE FOR CARRYING OUT STATE ECOLOGICAL EXPERTISE

1. Within the limits of decision-making process for the issue of environmental permits, the state ecological expertise shall be carried out after the submission, in a manner established by legislation, of an application for the expertise of an activity. The application should contain the documentation evidencing the activity which shall include: the application of an activity entity for the obtention of a permit for his activity, the feasibility study draft and environmental impact assessment report on the categories specified by the law as well as a brief annotation..
2. The decision on the necessity of incorporating environmental assessment report in evidential documentation shall be made in a manner established by the law.
3. The conducting procedure of state ecological expertise shall be defined by provisions "On the rule for carrying out state ecological expertise".
4. Within the limits of decision-making process for the issue of environmental permits, the body authorized to carry out state ecological expertise shall conduct the state ecological expertise and, accordingly, prepare the state ecological expertise opinion by activity categories within the period specified by the legislation of Georgia.

ARTICLE 7 : STATE ECOLOGICAL EXPERTISE OPINION

1. The results of the state ecological expertise shall be incorporated into the state ecological expertise opinion which shall be prepared by the state ecological expertise expert commission and shall be approved by the body authorized to carry out the state ecological expertise.

2. State ecological expertise opinion may be positive or negative. The positive opinion of the state ecological expertise shall be issued in the cases when the evidential documentation:
 - is in compliance with the legislation of Georgia as well as the environmental norms and standards effective on the territory of Georgia;
 - the implementation of the activity outlined in it shall not cause irreversible qualitative and quantitative changes in the environmental condition and natural resources.
 - makes provision for measures reducing or evading the impact on the environment including the measures for liquidation of possible effects of emergency situations.
3. The validity of terms and conditions of the positive opinion of the state ecological expertise on the activity specified by the law shall be determined by the provisions "On carrying out of state ecological expertise" within the limits of decision-making process for the issue of environmental permits by activity categories.

ARTICLE 8 : ENVIRONMENTAL IMPACT ASSESSMENT PROCEDURE

1. Environmental impact assessment shall represent the preparation of evidential documentation for an activity and determine the nature and quality of their anticipated impact on the environment in the course of decision-making process on this activity, as well as assess their ecological, social and economic effects.
2. The responsibility for organization and conducting of environmental impact assessment shall be assumed by an activity entity specified by the law.
3. The environmental impact assessment result shall be represented by environmental impact assessment report.
4. The environmental impact assessment procedure as well as the requirements for the content of environmental impact assessment report shall be defined by the legislation of Georgia and "The environmental impact assessment" provisions which shall be elaborated and approved by the Ministry of Environment of Georgia.

THE LAW OF GEORGIA ON ENVIRONMENTAL PERMITS

ARTICLE 2. THE OBJECT OF THE LAW

The object of the law shall be:

1. to elaborate and defend the rights and obligations of investors, community and the state in the area of environmental protection.
2. to facilitate protection of the environment and national resources from irreversible quantitative and qualitative changes as well as to ensure their rational utilization.

ARTICLE 4. CATEGORIES OF ACTIVITIES

1. In accordance with the present law the activities shall be grouped into 4 categories by their scope, importance and the quality of their impact on the environment..
2. The first category is the category which, due to its scope, location and essence can cause serious and irrevocable impact upon the environment and human health.

The first category of activity are the following:

- a) Mining of mineral ores

b) Power industry

c) Agriculture

- Fisheries;
- Wood-felling (including all systems of felling) and the usage of forest fund soils for different purposes;
- Utilization of virgin soils and unbroken expanses for intensive agriculture activities;
- Carrying out soil melioration works;
- Soil re-cultivation;
- Measures taken against hazardous natural calamities;

d) Food industry

- Production of flour from fish and animal bones;
- Production of vegetable and animal oils and fats;
- Industrial production of starch;
- Production of canned goods (objects processing more than 5 000 tons of raw materials);
- Breweries, liquor, cognac, vodka distillers, wine production (objects with the production capacity of greater than 30 mln. liter bottles per year)

d) Chemical industry

Chemical industry of any type and capacity:

among them: chemical processing of semi-finished goods (interim products) and production of chemical substances; production and processing of pesticides, pharmaceutical goods, chemical colourings, varnishes, peroxide and production and processing of elastic substances (rubbers or plastic substances), production and packing of gunpowder or any other explosives; production of batteries; production of graphite electrodes, production of refrigerators.

e) Metallurgy

Metallurgy of any type and capacity;

f) Machine-building and ship-building among them:

g) Production of building materials

h) Wood processing, paper, leather and textile industries

- Production of fibre and sawdust boards and plywood ;
- Production of artificial mineral fiber;
- Production of cellulose, paper and cardboard;
- Leather processing industry and leather utilizing production;
- Construction of fullery-worsted spinning group of enterprises in which wool is refined, degreased, bleached.

i) Waste processing and disposal

j) Location and operation of storages

- Location and operation of ground and underground storages for gas, oil, coal, petrochemical products;

k) Implementation of infrastructural plans, projects and programmes

- Urbanization and city-planning programmes;
- Industry development programmes;
- Power-systems' development programmes;
- Residence area purification utilities construction projects;
- Forest use programmes (including prospective projects for forestry and hunting farms organization and follow up plans);
- Transport infrastructure development programmes, projects for motorways, railways, airfields, bridges, over-passes;
- Land use schemes for administrative-territorial units (regions);

- Projects for the main pipe-lines for any purposes;
- Projects of sea ports and terminals;
- Projects for subways, underground motor-way and railway communications;
- Projects of hotel and resort complexes;
- Projects of sport complexes and constructions;
- Projects of hospitals of oncologic, infectious and tuberculosis diseases.
- Long-term rehabilitation programmes for preserved territories;
- Plans and projects for protection and utilization of water, forests, land, mineral ore and other natural resources existing on the territory of Georgia;
- Programmes and projects of national, regional and local importance for location of all types of economical and engineering objects with the view to avoid negative effects of natural spontaneous processes anticipated on the territory of Georgia.

All the afore-mentioned activities are subject to the environmental protection permits.

Infrastructural plans, projects and programmes shall require environmental permits issued by state legislative and executive bodies in accordance with the rule specified by the law prior to their adoption, approval or confirmation.

The environmental protection permission for these categories of activities shall be issued by the Ministry of Environment of Georgia.

The obligatory integral part of the procedure for the issue of the environmental protection permits shall be the following:

- environmental impact assessment (EIA); the procedure shall be carried out in accordance with Chapter III of the present law).
 - state ecological expertise; the procedure shall be carried out in a manner specified by the law);
 - participation of the community in the decision-making process.
3. The second category is represented by an activity the scope, location and content of which can have a significant impact on human health and the nature of the region where the activity will be carried out.

The second category is comprised of:

a) Mining of mineral ore:

b) Power industry:

c) Agriculture and food industry

- utilization of virgin soils and unbroken expanses for intensive agriculture activities;
- construction and operation of potable and irrigation water supply internal systems;
- utilization of agricultural arable land (of the area from 30 to 50 hectares) for non-agricultural purposes;
- construction of complex poultry and cattle breeding farms;
- reception of carbamide from the cattle-breeding farms;
- setting up of maricultural and aquacultural farms;
- setting up of fishing and hunting farms;
- production of sugar;
- breweries, liquor, cognac, vodka distillers, wine production (objects with the production capacity from 20 to 30 mln. liter bottles per year)
- production of jams, syrups and juices;
- production of dairy goods;
- production of yeast;
- setting up of smoking-drying enterprises;
- setting up of enterprises for the processing of animal remains;
- construction of grain production factory;
- setting up of a non-alcoholic, wine and spirit bottling enterprise.

- re-cultivation of land (of the area greater than 100 hectares);
- canning industry (objects annually processing from 3000 to 5000 tons of raw materials).

d) Forestry

- using of forestry fund lands (of the area greater than 100 hectares) for non-forestry and economic purposes);
- wood-felling - on the forest area greater than 500 hectares (including all felling types).

Other activities:

- construction of timber and wooden furniture factory;
- construction of mineral and insulation cotton enterprise;
- fibre drying industry;

The environmental permits for the second category of activities shall be issued by the Ministry of Environment of Georgia.

The obligatory integral part of the procedure for the issue of the permission shall be:

- state ecological expertise; the procedure shall be carried out in a manner established by the law;
- public participation in the decision-making process.

4. The third category comprises activity, the scope, location and content of which will not bring about serious impact on the environment.

The activities under the third category are the following:

a) Agriculture and food industry

- collection of medicinal herbs in the environment;
- setting up of slaughter-houses;
- construction of a coffee beans and sunflower roasting enterprise;
- utilization of agricultural arable land (of the area from 20 to 30 hectares) for non-agricultural purposes;
- establishment of an egg product manufacturing enterprise (with the annual capacity exceeding 40 tons);
- establishment of semi-finished food production factories (with the annual capacity exceeding 200 tons);
- construction of a grain drying, cleaning, storing and silo tower;
- production of non-alcoholic beverages;
- production of tobacco;
- construction of buildings to store agriculture goods;
- construction of hot-houses of industrial designation;
- construction of agricultural product storing and processing buildings, facilities and enterprises;
- construction of warehouses for chemical pesticides and mineral fertilizers;
- canning industry (objects annually processing from 3000 to 5000 tons of raw materials).
- breweries, liquor, cognac, vodka distillers, wine production (objects with the production capacity from 10 to 20 mln. liter bottles per year)

b) Forestry

- using of forestry fund lands (of the area from 50 to 100 hectares) for non-forestry and economic purposes);
- wood-felling - on the forest area from 100 to 500 hectares (including all felling types).

Other activities:

- production of flax;
- establishment of a sawmill (with the annual capacity exceeding 1000 cubic meters);
- construction of buildings for timber storage (land-based, water spraying or on-water of more than 1000 cubic meters);
- setting up of a ceramical goods enterprise;
- construction of local motor-ways;

- construction of gasoline stations;
- construction of a harbour for sailing vessels;
- operation of sterilization equipment in the hospitals using ethylene oxide;
- setting up of municipal laundries;
- construction of hospitals.

The environmental protection permits for third category of activities shall be issued by the regional bodies of the Ministry of Environment of Georgia as well as the Ministries of Environment of Ajarian and Abkhazian Autonomous Republics.

The obligatory integral part of the procedure for the issue of the permission shall be the following:

- state ecological expertise; the procedure shall be carried out in a manner established by the law;
- notification of the community of the planned activity.

5. The fourth category is not included in points 2, 3 and 4 of Article 4. and its the impact of which on the environment is insignificant.

The list of the activities under the fourth category shall be elaborated and approved by the Ministry of Environment of Georgia basing on the provisions "On the list of category IV activities specified by the procedure of the issue of environmental permits".

The environmental protection permission for the fourth category of activities shall be issued by the regional or local bodies of the Ministry of Environment of Georgia.

The obligatory integral part of the procedure for the issue of the permission shall be the state ecological expertise; the procedure shall be carried out in a manner established by the law.

ARTICLE 5. APPLICATION FOR THE ENVIRONMENTAL PROTECTION PERMISSION

1. In order to obtain the environmental protection permits, the investor shall be obligated to submit an application to the Ministry of Environment of Georgia, its regional or local bodies and the Ministries of Environment of Ajarian and Abkhazian Autonomous Republics.
2. The investor shall be obligated to prepare a detailed application in a complete shape and in written form.
3. The application should include the evidential documentation on the activity, investor's application for the obtention of the environmental protection permission, feasibility study project of the activity, assessment report on the activity's impact on the environment (for the 1st category activity).

The application should include the following information:

- a) name of the planned activity, name and address of the investor;
- b) location of the planned activity on the map of the given region;
- c) assumed date of the initiation and termination of the activity, the aims of the activity;
- d) plan of the buildings necessary for the activity;
- e) description of the technological process;
- f) the list of substances which will be used during the activity or are received as a result of the activity;
- g) detailed description of the measures which are planned in order to reduce the impact of the activity on the environment and social factors;
- h) types and quantity of the natural resources to be used;
- i) volume and type of the expected emission;
- j) methods for the measurement of emission volume;
- k) types and quantity of the industrial wastes, the probable places for their disposal, measures planned for the reduction of the waste volume and processing.
- l) safety measures to be taken against accidents of technical nature.

4. For the activities under I, II, III categories, along with the application the investor shall be obligated to submit a brief annotation in accordance with the form given below.
 - name of the planned activity, name of the investor;
 - location of the planned activity;
 - assumable date of the initiation and termination of the activity;
 - aims of the activity;
 - category of the activity;
 - place and time for the public discussion of the activity;
 - address, where the public will be able to familiarize itself with the documentation connected with the activity.

The information submitted in this form shall be published in the press and shall be made available to the representatives of the public.

5. The investor shall have the right to submit additional information which he finds necessary for the specific case.
6. Having received the application presented in full, the Ministry of Environment of Georgia, its regional or local bodies and the Ministries of Ajarian and Abkhazian Autonomous Republics shall commence the procedure provided for by the law.
7. The Ministry of Environment of Georgia shall determine the content and form (the issuance rule) of environment permits as well as the form of the application to be submitted for the obtention of environment permits, on the basis of the provision "On the rule for submission of applications for the obtention of environmental permits and the issuance of environmental permits".

ARTICLE 7. PROCEDURE FOR THE ISSUE OF ENVIRONMENTAL PERMITS FOR THE FIRST CATEGORY ACTIVITIES

1. In order to obtain an environmental protection permit for the 1st category activity, the investor shall be obligated to conduct environmental impact assessment.
2. In order to conduct a thorough environmental impact assessment and ensure the public participation in the assessment process, the investor shall be entitled to:
 - announce a tender for obtaining the right to conduct the EIA. The terms and conditions of the tender should be published in the central press.
 - ensure the availability of the examination materials, reviewed by the environmental impact assessment, to public representatives.
3. After the receipt of the detailed application on the 1st category activities, the Ministry of Environment of Georgia shall be obligated to carry out the procedure provided for by the present article which covers the state ecological expertise of the activity (the procedures for the expertise shall be regulated by the applicable legislation of Georgia) and to assure public participation in the decision-making process for the issue of the environmental permits.
4. Within 10 days following the receipt of the application the Ministry of Environment of Georgia shall be obligated to:
 - a) ensure the publishing in press of the application and brief annotation to which the information on the date and venue of public discussion of the issues related to implementation of the activity should be enclosed;
 - b) receive and discuss the written comments of the public in 45 days following the publishing of the information on the activity.
5. Within 2 months at maximum after the receipt of the application the Ministry of the Environment of Georgia shall be obligated to hold a public discussion of the activity with the participation of the Investor, the Ministry of Environment of Georgia, local administration bodies and public representatives.

6. The review period of the evidential documentation on the activity at the Ministry of the Environment of Georgia shall be 3 months at maximum.
7. The copy of the application shall be kept by the body of the Ministry of Environment of Georgia where the review of the evidential documentation on the activity is planned and the public representatives shall be able to familiarize themselves with the application (with the exception of the part containing commercial, industrial and state secrets) within the entire period of application review.
8. Within this period the Ministry of Environment of Georgia shall be obligated to:
 - carry out the expertise of environmental impact assessment;
 - determine the compliance of the activity or its separate part with the legislation of Georgia in force;
 - determine the compliance of the activity or its separate part with the standards in effect of the condition of the environment in Georgia;
 - determine the measures the elaboration of which shall be necessary for the reduction of the impact on the environment in case the activity is implemented;
 - adopt a decision on the issue of the environmental permission for the activity taking into account the environmental impact assessment conclusion and public opinion.

ARTICLE 8. PROCEDURE FOR THE ISSUE OF ENVIRONMENTAL PERMITS FOR THE II CATEGORY ACTIVITIES

1. After the receipt of a detailed application for the environmental protection permission on the IInd category activity the Ministry of Environment of Georgia shall be obligated to carry out procedures provided for by the law, which cover the expertise of the activity and public participation in the decision-making process on the issue of the permission.
2. In 10 days following the receipt of the application for public information, the Ministry of Environment of Georgia shall be obligated to provide the publishing of application and a brief annotation of the planned activity to which the information on the date and venue of public discussion of the issues related to implementation of the activity should be enclosed;

In view of the above, the Ministry of Environment of Georgia shall:

- ensure the publishing of the information in press;
 - receive and discuss public comments in writing within 45 days following the publishing of the information .
3. The copy of the application shall be kept in the body of the Ministry of Environment of Georgia where the review of the evidential documentation on the activity is planned and the public representatives shall be able to familiarize themselves with the application (with the exception of the part containing commercial, industrial and state secrets) within the entire period of application review.
 4. In order to ensure public participation in the process of the issue of the environmental protection permission for the activity, the Ministry of Environment of Georgia shall be obligated to carry out a public discussion within 2 months at maximum after the receipt of the application, with the participation of the investor, the Ministry of Environment of Georgia, local administration bodies and public representatives;
 5. Maximal term for the review of the evidential documentation of the activity following the receipt of the application at the Ministry of Environment of Georgia shall be 2 months. During this period the Ministry of Environment of Georgia shall be obligated to:
 - carry out the state ecological expertise of the evidential documentation;
 - determine the compliance of the activity or its separate part with the legislation of Georgia in force;
 - determine the compliance of the activity or its separate part with the standards in effect of the condition of the environment in Georgia;
 - determine the measures the elaboration of which shall be necessary for the reduction of the impact on the environment in case the activity is implemented;

- adopt a decision on the issue of the environmental permission for the activity taking into account the environmental impact assessment conclusion and public opinion.

ARTICLE 9. PROCEDURE FOR THE ISSUE OF ENVIRONMENTAL PERMITS FOR THE III CATEGORY ACTIVITIES

1. After the receipt of the detailed application for the obtention of environmental permits for the IIIrd category activities, the regional bodies of the Ministry of Environment of Georgia (further referred to as a "regional body") and the Ministries of Ajarian and Abkhazian Autonomous Republics shall be obligated to carry out the procedure as provided for by the present article which covers the state ecological expertise of the activities well as public notification on the planned activity.
2. Within 10 days following the receipt of the application for public notification, the regional bodies of the Ministry of Environment of Georgia and the Ministries of Ajarian and Abkhazian Autonomous Republics shall ensure the publishing of the information on the activity in the form of a brief annotation along with the application.
3. The copy of the application shall be kept by the body of the Ministry of Environment of Georgia (also in the Ministries of Ajarian and Abkhazian Autonomous Republics) where the review of the evidential documentation on the activity is planned and the public representatives shall be able to familiarize themselves with the application (with the exception of the part containing commercial, industrial and state secrets) within the entire period of application review.
4. Maximal term for the review of the evidential documentation of the activity following the receipt of the application at the regional bodies of the Ministry of Environment of Georgia and the Ministries of Ajarian and Abkhazian Autonomous Republics shall be 2 months. During this period the regional bodies of the Ministry of Environment of Georgia and the Ministries of Ajarian and Abkhazian Autonomous Republics shall be obligated to:
 - carry out the state ecological expertise of the evidential documentation;
 - determine the compliance of the activity or its separate part with the legislation of Georgia in force;
 - determine the compliance of the activity or its separate part with the standards in effect of the condition of the environment in Georgia;
 - determine the measures the elaboration of which shall be necessary for the reduction of the impact on the environment in case the activity is implemented;
 - adopt a decision on the issue of the environmental permission for the activity taking into account the environmental impact assessment conclusion and public opinion.

ARTICLE 10. PROCEDURE FOR THE ISSUE OF ENVIRONMENTAL PERMITS FOR THE IV CATEGORY ACTIVITIES

1. In order to issue a environmental protection permission the regional or local body of the Ministry of Environment of Georgia (further referred to as a "local body"), after the receipt of a detailed application shall commence the procedures provided for by this law which cover the state ecological expertise of the activity.
2. The maximum period for the discussion of the evidential documentation of the activity by a regional or local body shall be one month. Within this period the regional or local body shall be obligated to:
 - carry out the state ecological expertise of the evidential documentation;
 - determine the compliance of the activity or its separate part with the legislation of Georgia in force;
 - determine the compliance of the activity or its separate part with the standards in effect of the condition of the environment in Georgia;
 - determine the measures the elaboration of which shall be necessary for the reduction of the impact on the environment in case the activity is implemented;
 - adopt a decision on the issue of the environmental permits for the activity taking into account the environmental impact assessment conclusion and public opinion.

ARTICLE 13. RIGHTS AND RESPONSIBILITIES OF THE INVESTOR

1. The investor shall be obligated to provide the Ministry of Environment of Georgia, its regional or local bodies, the Ministries of Environment of Ajarian and Abkhazian Autonomous Republics and the consultation firm (for the 1st category activities) with the objective data on the planned activity. The investor shall bear the responsibility in accordance with the legislation of Georgia for the provision of the biased information.
2. In case the permission on the activity is granted, the investor shall be obligated to:
 - a) implement the activity provided for by evidential documentation in accordance with terms and conditions of the state ecological expertise conclusion;
 - b) after commencing to implement the activity, to take the measures reducing the impact on the environment which the Ministry of the Environment of Georgia, its regional or local bodies, the Ministries of Environment of Ajarian and Abkhazian Autonomous Republics shall deem necessary.
3. The investor shall have the right to select on the basis of a tender a consultation firm to carry out the environmental impact assessment.
4. In the case when the investor does not agree with the decision of the Ministry of Environment of Georgia, its regional or local bodies, the Ministries of Environment of Ajarian and Abkhazian Autonomous Republics he shall have the right to appeal to the court.

ARTICLE 14. THE ENVIRONMENTAL IMPACT ASSESSMENT PROCEDURE

1. The procedure for environmental impact assessment shall be determined by the Ministry of Environment of Georgia.

Environmental impact assessment shall denote the study and investigation procedure of the planned activity aimed at the protection of certain elements of the environment, people, landscape and cultural heritage.

2. Environmental impact assessment shall reveal and describe direct and indirect impacts on the human health and safety, vegetation, and animal world, soil, air, water, climate, landscape, ecosystems and historical monuments or the aggregate of the above-listed factors, including the impact of these factors on the cultural values (heritage) and social and economical factors (for infrastructural projects).
3. In accordance with the present law, if the activity planned by the investor falls under the 1st category, environmental impact assessment shall be the essential and significant part of the decision-making on the issue of an environmental protection permission. The issue of a permission for the 1st category of activities shall be forbidden without the environmental impact assessment except for the cases listed in paragraph 14.4. of the present law.
4. The activity may be released from environmental impact assessment if:
 - The investor repeats or continues the activity undertaken before for which the procedure for environmental impact assessment has been carried out and the repeated assessment cannot not include additional information,
 - Common state interests require that the activity shall commence and the decision shall be made urgently.

The decision on the release of the activity from environmental impact assessment shall be made on the basis of investor's request by a special council for environmental impact assessment. The composition and functions of the council shall be defined by the Ministry of Environment of Georgia.

The decision of the council shall be approved by the Ministry of Environment of Georgia.

5. The consultation firm shall, in accordance with the legislation of Georgia, bear the responsibility for carrying out environmental impact assessment in an unbiased manner.

6. The Ministry of Environment of Georgia, its regional or local bodies and the Ministries of Environment of Ajarian and Abkhazian Autonomous Republics shall be responsible for the compliance of the results of environmental impact assessment expertise with environmental standards. The executor of the state ecological expertise shall, in accordance with the Georgian legislation, be liable to conduct the expertise in an unbiased manner.
7. The expenses required to conduct environmental impact assessment shall be borne by the investor.
8. Public participation in the environmental impact assessment procedure shall be obligatory.

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