COMBINED PROJECT INFORMATION DOCUMENTS / INTEGRATED SAFEGUARDS DATA SHEET (PID/ISDS) ADDITIONAL FINANCING

Report No.: PIDISDSA16815

Date Prepared/Updated: 01-Mar-2016

I. BASIC INFORMATION

A. Basic Project Data

Country:	Georgia	Project ID:	P157465		
		Parent Project ID (if any):	P130421		
Project Name:	Second Regional Development	Project Addition	al Financing (P157465)		
Parent Project Name:	Second Regional Development	Project (P13042	1)		
Region:	EUROPE AND CENTRAL AS	IA			
Estimated Appraisal Date:	15-Feb-2016	Estimated Board Date:	04-Apr-2016		
Practice Area (Lead):	Social, Urban, Rural and Resilience Global Practice	Lending Instrument:	Investment Project Financing		
Sector(s):	Urban Transport (59%), Energy efficiency in Heat and Power (10%), General water, sanitation and flood protection sector (19%), Sub-n ational government administration (10%), Vocational training (2%)				
Theme(s):	Infrastructure services for private sector development (39%), Cultural Heritage (38%), City-wide Infrastructure and Service Delivery (11%), Urban Economic Development (11%), Education for the knowledge economy (1%)				
Borrower(s):	Ministry of Finance				
Implementing Agency:	Municipal Development FUnd of Georgia				
Financing (in US	SD Million)				
Financing Sou	rce		Amount		
Borrower			2.25		
International Ba	ank for Reconstruction and Deve	lopment	9.00		
Total Project Co	lost 11.25				
Environmental Category:	B - Partial Assessment				
Appraisal Review Decision (from Decision Note):	The review did authorize the team to appraise and negotiate				

Other Decision:	
Is this a	No
Repeater	
project?	

B. Introduction and Context

Country Context

The proposed Additional Financing (AF) is consistent with the Bank's Country Partnership Strategy Progress Report (CPS-PR) for FY10-FY13, in which the Government and the Bank committed to support regional development through a programmatic approach and recognize the importance of building local infrastructure to promote social welfare and economic growth. The AF is also consistent with the most recent Country Partnership Strategy for Georgia, FY2014-FY2017, by supporting private sector led job creation through improved competitiveness. Most significantly, the original Project and the proposed AF is in line with the pillars of the Government's State Strategy on Regional Development for 2010-2017, which aims to reduce the imbalances between urban and rural development by improving public services and transport connections among regions, and building the tourism infrastructure to support the local economy.

Sectoral and institutional Context

The World Bank significantly contributed to the development of the tourism economy in Georgia by financing the infrastructure and touristic attractions along the tourism circuits connecting Kakheti, (Regional Development Project RDP, US\$ 60 million), Imereti (RDP II, \$37,5 million), and Mtskheta-Mtianeti and Samtskhe-Javakheti (RDP III, \$55 million). As a result, tourism sector growth accounted for 11% of total employment, 6% of GDP and 59% of service export revenues in 2014. The number of international visitors has grown from over 560,000 in 2005 to nearly 5,500,000 in 2015. Specific results from the Kakheti RDP include an increase in the number of hotel beds in the targeted areas from 1,610 to 2,838 (exceeding the Projects target of 1,932); an increase in the number of tourism SMEs/points of sales (souvenirs shops, restaurants, guest-houses and family houses) from 248 at the baseline to well above 310, including a number of home owners who transformed part of their properties into a productive or service asset (hand-crafts workshop, souvenir shop, café, restaurant or guest-house); and an increase in the hours of water supply from 8 hours per day to 14 hours.

C. Proposed Development Objective(s)

Original Project Development Objective(s) - Parent

The Project Development Objective is to improve infrastructure services and institutional capacity to support increased contribution of tourism in the local economy of the Imereti Region.

Key Results

The proposed AF would provide an additional US\$9 million to maximize development impact though a set of additional activities to be accommodated within RDP II components and its implementation structure, ensuring that the financing gap is addressed for full completion of ongoing works and Project components. This would extend the Project for 18 months, from the current closing date of June 30, 2017 to December 30, 2018.

D. Project Description

The main changes proposed in the AF are: (i) scaling up existing activities for the completion, rehabilitation and construction of selected municipal and tourism infrastructure for cultural heritage sites in the Imereti Region that would ensure the full functionality and sustainability of key investments delivered so far under the Project; (ii) addressing a financing gap resulting from currency depreciation; and (iii) financing a number of cost overruns caused by additional investments needed for a limited number of unforeseen additional works related to cultural heritage sites supported under the original operation. The AF will also support the necessary technical assistance for detailed designs and supervision activities and increased operating costs for the project extension period. The Results Framework is also revised to (a) reflect the increased scope of the Project and (b) align some of the target values and dates with the proposed new closing date.

Component Name

Infrastructure Investments. This component supports urban regeneration of Tskaltubo municipality.

Comments (optional)

Component Name Institutional Development Comments (optional)

E. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The Project will be implemented in various locations within Imereti Region, Georgia. Proposed sites of subprojects include: Tskhaltubo, Gelati, Vani, Ubisa, Katskhi and Motsameta.

F. Environmental and Social Safeguards Specialists

Darejan Kapanadze (GEN03) Michelle P. Rebosio Calderon (GSU03)

II. Implementation

Institutional and Implementation Arrangements

The MDF has an overall responsibility for the implementation for the ongoing Bank financed Regional Development program including the proposed AF. The MDF has built a solid knowledge and experience in implementing the Bank Projects for the past 18 years, however, there is a continuous need for capacity building and quality supervision due to the high rate of staff turnover. The latest supervision mission for RDP and RDP II assessed implementing agency risk rating as "Moderate".

III. Safeguard Policies that might apply

Safeguard Policies Triggered? Explanation (Optional)		Explanation (Optional)
Environmental Assessment	Yes	Additional Financing (AF), alike the original RDP II,

OP/BP 4.01		 carries investment components in support to infrastructure development and therefore OP/BP 4.01 Environmental Assessment triggered for RDP II is applicable to the AF as well. None of the RDP II supported activities were expected to have significant, long term, or irreversible impacts on the natural environment, and the project was classified as environmental Category B. All AF activities will also fall under Category B and hence the overall environmental category of the project remains B. An Environmental Management Framework (EMF) prepared for the original RDP II is applicable to a few additional activities to be supported from the AF. The EMF was updated for the purposes of AF to reflect triggering of the additional safeguard policy OP/BP 7.50 and will be re-disclosed in-country and through the Bank's InfoShop. The EMF guides the preparation of subproject-specific Environmental Reviews (ERs) and/or Environmental Management Plans (EMPs). A Strategic Environmental, Cultural Heritage, and Social Assessment (SECHSA) was carried out by the client in conjunction with the preparation of a Tourism Development and Marketing Strategy for the region. SECHSA identified risks and opportunities associated with the overall development program proposed for Imereti. The SECHSA a) pooled baseline information on the target region, b) analyzed the expected long term, cumulative, and induced/indirect impacts of the draft Regional Tourism Development and Marketing Strategy as well as of the concrete interventions proposed under RDP II, and c) assessed the institutional capacity of the government agencies to manage environmental, cultural, and social implications of the regional development in Imereti. The site-specific ERs and/or EMPs for all prepared individual investments under RDP II are being developed satisfactory to the Bank, disclosed, and are being discussed with the stakeholders. These procedures will be applied consistently to all additional activities to be supported from the AF.
Natural Habitats OP/BP 4.04	No	None of the proposed subproject sites are located within or in immediate proximity to the designated

		natural protected areas, either inside of- or close to the natural habitats.
Forests OD/DD 4 26	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/BP 4.11	Yes	The project aims at attracting increased flow of tourists to the natural and cultural heritage sites of Imereti region. This would imply improvement of access to these sites and development of tourist infrastructure around them. Implementation of civil works in the immediate proximity to the historical monuments and other elements of the cultural heritage carries the risk of affecting their aesthetic value, accidental damage, or gradual deterioration. Conservation works on Gelati Monastery, a UNESCO World heritage monument, will also be financed and be performed following recommendations and under the guidance of UNESCO experts.
		Also, development of tourist infrastructure and improving access to the cultural sites will imply earth works carrying high likelihood of chance finds. OP/ BP 4.11 is triggered to ensure that no element of cultural heritage is affected negatively neither during construction nor operation of the infrastructure provided under the project. Site-specific ERs and/or EMPs will cover the aspect of cultural heritage preservation and carry relevant mitigation measures, as well as arrangements for monitoring their implementation.
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/ BP 4.12	Yes	OP/BP 4.12 is triggered in light of temporary impacts of anticipated civil works and resettlement of street vendors. Resettlement Policy Framework has been prepared and disclosed to the public in both English and Georgian languages. A Resettlement Action Plan (RAP) for an individual subproject in Gelati has been prepared and disclosed as needed in line with the RPF. Resettlement measures will be implemented prior to commencement of civil works at any given subproject site.
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	Yes	RDP II AF will contribute to the financing of the rehabilitation of a wastewater treatment plant (WWTP) located in Tskaltubo and the related

Projects in Disputed Arroy OD/		pumping station, operation building, garages and technical equipment. The costs for such rehabilitation were initially included as part of the Swedish International Development Agency (SIDA) contribution to the Sustainable Wastewater Management Project (P145040), which was approved on July 12, 2013. OP 7.50 was triggered for P145040 because the Tskaltubo WWTP will discharge treated water into the Tskaltubostskali River and this river is an "international waterway" as defined in OP 7.50. However the focus of SIDA- financed intervention was on rehabilitation as defined under paragraph 7(a) of OP 7.50, a memorandum seeking an exception from the riparian notification requirement was prepared and approved by the World Bank's RVP on April 10, 2013. Because the scope of interventions remains the same, the exception granted under P145040 covers RDP II AF. The Task Team confirms that the proposed rehabilitation works on the Tskaltubo WWTP will not (i) adversely change the quality or quantity of water flows to the other riparians; (ii) be adversely affected by the other riparians' possible water use; and (iii) exceed the original scheme, change its nature, or so alter or expand its scope and extent as to make it appear a new or a different scheme.
Projects in Disputed Areas OP/ BP 7.60	No	

IV. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

The Second Regional Development Project (RDP II) finances infrastructure rehabilitation and development sub-projects that, according to the OP/BP 4.01, are classified as environmental Category B. Additional Financing (AF) provided for RDP II will be used to scale-up or complement some ongoing works. No activities of a different scope or nature will be financed from the AF. Hence the AF also fallsunder environmental Category B.

The Municipal Development Fund (MDF), which is the project implementing entity, is well experienced in preparing and applying environmental mitigation measures to the types of civil works supported under RDP II and the AF to it. RDP II rating on environmental and social performance is satisfactory.

One challenge during conduct of works towards upgrading the existing small to medium scale

urban infrastructure is the immediate proximity of some work sites to the cultural and natural heritage sites. The AF will also support works at Vani Archaeological Museum and Gelati Monastery, the latter being on the UNESCO World heritage list. Such interventions carry additional risks of damaging monuments in case the design and methodological approaches used are unfit for conservation of the historical and aesthetic value of these sites or if tourist visitation of these sites, increased as a result of the project interventions, is not managed in a sustainable manner. RDP II carries reliable mechanism for screening, identifying, and addressing the above risks in both the review and the implementation phases of sub-projects. Conservation works on Gelati Monastery will be undertaken according recommendations and under the guidance of UNESCO experts.

Long term cumulative impacts of the project implementation and induced development in the region will be handled by the Borrower beyond the RDP II and its AF through the application of adequate policy and managerial measures in the context of regional development of Imereti and more specifically - development of tourism and hospitality services in this region. RDP II provided good background and policy guidance in this area by producing a Strategic Environmental, Cultural Heritage, and Social Assessment (SECHSA) of the Imereti Regional Tourism Development and Marketing Strategy (RTDMS) of the Borrower and the interventions proposed under RDP II.

The negative social impacts of RDP II are limited, including some temporary inconvenience to local population during construction, and longer term impacts related to increased influx of visitors. Temporary impacts include dust, noise, limited access to the areas, and increased safety risks, which are addressed through the site-specific Environmental Management Plans (EMPs). These temporary impacts are limited, since there are only few residential structures in the immediate vicinity of the majority of subproject sites. Direct long term impacts include traffic safety of local population due to increased influx of visitors in cases where touristic sites are located close to or inside settlements. All of the above is applicable to activities to be supported from the AF.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

Long term impacts of the RDP II and the AF will be positive and imply stimulation of the economic growth in Imereti region through increased tourist visitation, improved infrastructure and utilities in the selected municipalities, and enhanced business activity. This is expected to improve livelihood of the residents of municipalities selected for direct interventions as well as to make some positive change in the incomes of communities residing in the proximity to the cultural monuments and natural assets. Indirect long term risks of the stimulated visitation and investment nearby and around the heritage sites is the possibility of exceeding their carrying capacity as well as potential loss of the aesthetic value of the landscapes surrounding tourist sites due to overdevelopment in their buffer zones. This potential threat could be effectively mitigated by following policy advice provided in SECHSA and practicing integrated approach to the regional development.

The Government has been following most of SECHSA recommendations: Environment SECHSA recommendations on the improvement of environmental aspects of regional

development were in fact those to be implemented at the national scale, due to nature of these activities. Along those recommendations, the Ministry of Environment is enhancing financing and

institutional capacity of its Environmental Supervision Inspection unit, which is charged with the responsibility to oversee adherence to the terms of resource use licenses and environmental permits nationwide, including Imereti. On forest management aspects, the Government moves quickly towards adoption of the new Forest Code, which will significantly improve forest management practices. Supported from the Bank-administered FLEG Program, the Ministry of Environment delivered the draft Code to the Parliament last week, with the purpose of introducing draft law to the environmental committee of the Parliament prior to formally submitting it for voting. On water pollution aspects, MDF has tendered design and building of a waste water treatment plant in one of the major spa resorts of Imereti under Sustainable Waste Water Management Project (SIDA-financed, Bank-administered). The new Water Code is developed and undergoes stakeholder consultations.

The only area where SECHSA recommendations remain not addressed is the improvement of spatial planning. That is a very acute issue at the national level raised long ago, but prevailing goal of facilitating investment prevents tangible progress in regional and urban planning viewed as tools of imposing restrictions that may limit opportunities for private investment.

Cultural Heritage

The national Tourism Development Strategy for the period till 2025 was worked out by the National Tourism Agency using TA from the World Bank. This document sets forth a pathway for organizing infrastructure, administration, standardization, private sector involvement and other important aspects of tourism sector to move from the current unregulated pattern towards organized and planned management towards better service delivery and growth. This responds well to SECHSA recommendations. UNESCO has been involved in advising on the design and methodology for restoration of cultural heritage sites under RDP II, so that any potential loss of historic value and authenticity of these sites is avoided – as recommended by SECHSA.

Social

Lack of basic infrastructure or its dilapidated condition was noted among hindrances for regional development in Imereti. SECHSA recommended that the MDF – an implementing entity for the Bank-financed Regional and Municipal Development Project – develops this project portfolio with consideration of the regional needs of Imereti. This recommendation is fully respected: MDF prepared, financed and is supervising a number of priority infrastructure development investments in Imereti. SECHSA warned about possible loss of traditional life style and authenticity of cousin/ crafts due to influx of tourists into rural areas of Imereti. Such tendency is not being observed. Government eagerly supports preservation of traditions in their authentic way. A grant agreement is signed with the World Bank to Empower Poor Communities and Micro Enterprises in Tourism Sector in the regionals of Imereti (RDP II target region) and Kakheti (RDP target region). Buck of this support goes for supporting traditional small businesses (bread baking, crafting of souvenirs, agro-tourism).

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

N/A

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

The Borrower prepared an Environmental Management Framework (EMF) for RDP II. It carries detailed guidance on handling environmental, cultural, and social aspects of the project implementation. It is included into the Operations Manual of the project implementing entity. To handle the anticipated temporary impacts of sub-projects and to address other possible

resettlement issues a Resettlement Policy Framework (RPF) was updated from the one prepared for RDP. EMF and RPF are being used for the development of investment-specific Environmental Reviews, as required, EMPs and RAPs, as required. For all prepared sub-projects these documents have already been produced, cleared by the Bank, disclosed, and are being consulted with stakeholders. These procedures will be applied to additional works to be supported from the AF. The local municipalities are responsible for the implementation of RAPs with the assistance of the MDF prior to commencement of construction at the individual project sites, while implementation of EMPs at the construction phase will be enforced on works contractors directly by the MDF. Authorized national and regional agencies shall enforce mitigation measures further on at the operation phase. As part of the sub-project appraisal and approval process, the MDF ensures that public consultations are conducted for each sub-project.

The MDF is the implementing agency for RDP II and the AF. The MDF has a long history of implementing World Bank-supported projects with a good track record of safeguard compliance. Safeguards performance under RDP II is rated satisfactory. At the same time, in-house capacity of MDF for ensuring application and monitoring of the measures for mitigating negative impacts of civil works is limited due to the lack of specialized human resources and depends much on the services of external consultants. The MDF has an active contract with an international consulting form to provide construction supervision support of works, including monitoring of safeguards enforcement. The MDF will be further encouraged to consider safeguards training for its staff, as already recommended. The most recent seminar on the application of environmental safeguards was delivered to MDF's safeguard staff and engineers in December 2015 by the Environmental Specialist of the Bank's task team.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

The population of the Imereti region in general is the main beneficiary of the project. Municipalities, elected local councils, NGOs, tourism businesses, potential future investors to the region, the Georgia National Tourism Administration, the Agency for Cultural Heritage Preservation, the Cultural Heritage Fund, the Ministry of Regional Development and Infrastructure, the Ministry of Economy and Sustainable Development, and the Ministry of Finance are also stakeholders of the project. The MDF is the designated implementing entity. At the higher level, the national Government of Georgia is directly involved in the overseeing of the project's implementation through MDF's Supervisory Board as the project is an integral part of the national strategy for regional development.

From the very initial stage of the RDP II preparation, the top management and technical staff of the above listed national line agencies as well as those of the regional and municipal governments were directly involved in the consideration of all aspects of the project. Public consultations on the EMF and RPF were held in Imereti to generate inputs from a wide array of the national, regional, and local stakeholders. The documents were disclosed in-country on June 30, 2012, and through the InfoShop on July 16, 2012. The final versions of these documents, with the minutes of public consultations attached, were re-disclosed in-country and submitted to the Bank InfoShop on September 21, 2012. EMF was updated for the needs of the AF in order to reflect triggering of an additional safeguard policy. With this change, both framework documents are fully applicable to all activities under the AF.

The site-specific EMPs and RAPs (as required) for all prepared sub-projects are being reviewed and appraised by the Bank, disclosed in-country, and discussed with the affected communities in

the areas of individual project sites. The same procedures will be adhered when processing any additional sub-projects under the AF.

B. Disclosure Requirements

25-Jun-2012
21-Sep-2012
21-Sep-2012
25-Jun-2012
21-Sep-2012
21-Sep-2012
l Cultural Resources policies, the f the Environmental Assessment/
t expected, please explain why:
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C. Compliance Monitoring Indicators at the Corporate Level

OP/BP/GP 4.01 - Environment Assessment					
Does the project require a stand-alone EA (including EMP) report?	Yes [×]	No []	NA []
If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?	Yes [×]	No []	NA []
Are the cost and the accountabilities for the EMP incorporated in the credit/loan?	Yes [×]	No []	NA []
OP/BP 4.11 - Physical Cultural Resources	•				
Does the EA include adequate measures related to cultural property?	Yes [×]	No []	NA []
Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?	Yes [×]	No []	NA []
OP/BP 4.12 - Involuntary Resettlement					
Has a resettlement plan/abbreviated plan/policy framework/ process framework (as appropriate) been prepared?	Yes [×]	No []	NA []

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If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?	Yes [\times]	No []	NA []
Is physical displacement/relocation expected?	Yes []	No [×]	TBD []
Provided estimated number of people to be affected				
Is economic displacement expected? (loss of assets or access to assets that leads to loss of income sources or other means of livelihoods)	Yes []	No [×]	TBD []
Provided estimated number of people to be affected				
OP 7.50 - Projects on International Waterways				
Have the other riparians been notified of the project?	Yes []	No [×]	NA []
If the project falls under one of the exceptions to the notification requirement, has this been cleared with the Legal Department, and the memo to the RVP prepared and sent?	Yes [×]	No []	NA []
Has the RVP approved such an exception?	Yes [×]	No []	NA []
The World Bank Policy on Disclosure of Information				
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [×]	No []	NA []
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes [×]	No []	NA []
All Safeguard Policies				
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [×]	No []	NA []
Have costs related to safeguard policy measures been included in the project cost?	Yes [×]	No []	NA []
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [×]	No []	NA []
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes [×]	No []	NA []

V. Contact point

World Bank

Contact: Rosanna Nitti Sr Urban Spec. Title:

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VII. Approval

Task Team Leader(s):	Name: Rosanna Nitti			
Approved By				
Safeguards Advisor:	Name: Agnes I. Kiss (SA)	Date: 24-Feb-2016		
Practice Manager/	Name: David N. Sislen (PMGR)	Date: 24-Feb-2016		
Manager:				
Country Director:	Name: Mercy Miyang Tembon (CD)	Date: 01-Mar-2016		