



# Concept Environmental and Social Review Summary

## Concept Stage

### **(ESRS Concept Stage)**

Date Prepared/Updated: 10/22/2019 | Report No: ESRSC00876



**BASIC INFORMATION**

**A. Basic Project Data**

Country	Region	Project ID	Parent Project ID (if any)
Georgia	EUROPE AND CENTRAL ASIA	P169698	
Project Name	Log-In Georgia		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Digital Development	Investment Project Financing	4/1/2020	9/29/2020
Borrower(s)	Implementing Agency(ies)		
Ministry of Finance	Ministry of Economy and Sustainable Development, Open Net NNLE		

Proposed Development Objective(s)

To expand access to affordable broadband, and to promote its use by households and businesses, with a focus on rural areas.

Financing (in USD Million)	Amount
<b>Total Project Cost</b>	<b>70.00</b>

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

No

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

Georgia’s economic growth has been strong over the past decade, supported through improving governance and the business environment through far-reaching reforms. Maintaining this will require deeper integration with the global marketplace for its firms, and greater levels of inclusion for all its people to equalize access to economic opportunities. Strategic investments—directly or facilitated by the government—will close some of the gaps in rural and international connectivity that hold back growth, and they could establish digital infrastructures that enable in a wider range of digital opportunities and more innovative services that could position Georgia’s households, firms, and



people to integrate more with the national and global economy. Investments into Georgia’s digital development will help sustainable and inclusive economic growth.

Key development challenges include income inequality and a lack of economic opportunities, especially for young people and in rural areas. Poverty and inequality remain high in rural areas and among ethnic minorities. Economic opportunities for young people, and rural inhabitants are constrained. Young people with higher levels of education face unemployment due to skills mismatches, and many of them living in rural areas consider moving to the larger cities and especially the capital, Tbilisi as the only way to access educational or work opportunities.

Georgia’s efforts to integrate with the global marketplace—essential for sustainable growth—are hampered due to poor connectivity, posing another challenge to sustainable economic growth. Georgia will need improvements in hard and soft connectivity—transport, logistics, and digital—to bring down the costs of trade and promote greater integration. Georgia seeks to position itself as a hub in the region for various markets, including logistics and energy, and has promoted its tourism industry. However, efforts to boost trade, attract Foreign Direct Investment (FDI), and maximize the potential for tourism, especially outside of the main cities, will be hindered by gaps in digital connectivity within the country or linking it with global markets.

Georgia continues to champion the expansion of its digital economy. Since 2013, the Government has consistently included various national digital and related initiatives in its programs: to support innovation and the use of technology across the economy, to expand access to internet services, and build skills among students and young people. Alongside, the private sector and citizens have played an important part in the country’s digital development. However, strategic public interventions are needed now to deepen digital inclusion, and to ensure that Georgia can integrate into the global digital economy.

The digital connectivity market is competitive and driven by private investments, but a rural-urban digital divide has emerged—potentially limiting inclusion in the digital economy. There is also an affordability dimension to the urban-rural digital divide, limiting adoption of services where available. The digital divide in access to broadband services between urban and rural areas exists extends to internet use by individuals and businesses as well. Promoting digital inclusion could help increasing rural populations’ access to economic opportunities, employment, and markets. Planned policies and regulations will open markets, but state aid may be necessary to close remaining access gaps.

Availability of digital infrastructure—connectivity and IT infrastructure—of international standards is essential for Georgia to be competitive and integrated in the global digital economy. Positioning itself as a digital hub will need a data center of international standards. Improved (international) digital connectivity to Europe will also make Georgia a more attractive transit point.

#### Relationship with the CPF:

The proposed Project supports the World Bank Group’s (WBG) Country Partnership Framework (CPF) through its focus on including more households and businesses across Georgia in the digital economy, and through its activities to deepen Georgia’s integration in the global digital economy. Through its support to expand access to affordable broadband services in rural areas and to mobilize private financing for digital infrastructures, the proposed Project directly supports Focus Area 1 of the CPF (Enhance Inclusive Growth and Competitiveness), specifically Objective 1.2 (improve connectivity and integration) and Objective 1.4 (increase economic participation in the regions).



The Project will also aim to promote the diffusion of specific use cases that would arise from Georgia and its villages being better connected. Through these efforts, it could support a secondary set of CPF objectives including improve access to markets (Objective 1.1) and to financial services (Objective 1.3) via activities that seek to increase people's use of related digital tools (e.g. e-trade, digital financial services). The Project could also support human capital development (CPF Focus Area 2), for example, by connecting schools and hence supporting the education system for improved quality and relevance (Objective 2.1) or delivering information services to complement the health care delivery system (Objective 2.2).

The Project is to be financed by IBRD and the Government of Georgia and includes the following components:

#### Component 1: Digital Inclusion

This component will finance activities that will increase access to affordable, high-quality broadband services for all individuals and institutions across Georgia, with a focus on rural areas. It will support the National Program for Broadband Development (known as Open Net). The Program aims to connect villages to very high capacity broadband networks, where those villages will not be connected to such networks in a reasonable timeframe via private initiative alone. The component will finance works for laying of the optical fiber cable (OFC) as well as training, technical assistance, and capacity building for legal and regulatory reforms necessary for market development. This will help make services more affordable by reducing cost of investments and increasing competitive pressure in the market. And the component will advance digital inclusion of households, individuals, and businesses in the included villages, and promote productive use-cases of their internet connectivity. These activities will identify and address the risk of digital exclusion, including due to social, demographic, gender, or accessibility barriers.

#### Component 2: Digital Integration

Georgia seeks to position itself as a digital hub. For this, it can leverage its strategic location and positive business climate to attract private investment to create the needed digital infrastructure and services required. An initial assessment at Project identification and the related analytical work suggest that high-priority needs include: (1) a data center facility of international standard that can support priority sectors and Government and (2) a redundancy data route to Europe via a direct international submarine fiber optic cable. Given the strong possibility of private participation in the financing and operation of these facilities, this component (in potential coordination with the IFC) will help to mobilize finance for development in the creation of these facilities. At this time, the Project support is foreseen for upstream feasibility studies of these infrastructures (the data center, and the submarine cable) especially to determine if and how much public support (in-kind or financial; for construction or use) may be needed to make these bankable. At this time, based on preliminary assessments, it is likely that provision of premises for the data center will be financed, with the possibility of concurrent private investments, while the construction of the submarine cable will not be covered by the Project. There is also a need for coordination within the Government to maximize the use of these facilities while supporting Georgia's digital agenda and the Project aims to facilitate it.

#### Component 3: Project Implementation Support

This component will support the management and implementation of the project and associated activities. The project can support capacity building initiatives, as well as hiring of expert consultants, as needed for key areas such



as project management, technical expertise, procurement, financial management, environment and social protection, monitoring and evaluation, communications, citizen and stakeholder engagement, to enable project implementation.

#### D. Environmental and Social Overview

D.1. Project location(s) and salient characteristics relevant to the ES assessment [geographic, environmental, social] Georgia is located in the South Caucasus and is one of the Black Sea riparian nation-states. It borders with Armenia, Azerbaijan, Russian Federation and Turkey and comprises the following administrative units: capital city of Tbilisi, Autonomous Republic of Adjara, Autonomous Republic of Abkhazeti, and nine regions - Kvemo Kartli, Shida Kartli, Kakheti, Mtskheta-Mtianeti, Samtskhe-Javakheti, Imereti, Guria, Samegrelo-Zemo Svaneti, and Racha-Lechkhumi and Kvemo Svaneti. The project will be implemented countrywide, excluding the Autonomous Republic of Abkhazeti and several municipalities of Shida Kartli currently not under de facto jurisdiction of the national government of Georgia.

The Project will be implemented in targeted municipalities nationwide with a priority on areas with the lowest coverage of broadband internet. Prior assessment of broadband connectivity in Georgia have shown that outside Tbilisi and the Autonomous Republic of Adjara, fixed broadband penetration is at or less than 59 percent for urban and less than 40 percent for rural areas. Furthermore, such assessments have identified 727 rural settlements where there are no active internet service providers offering fixed broadband services (known as next-generation access). It is expected that these settlements will be included in the priority list for project interventions; however, decision on targeting of project interventions will be taken during project preparation.

Environmental and social impacts of the Project will be associated mostly with Component 1: Digital Inclusion, which will finance laying of the OFC and related small infrastructure in selected communities. The footprint of this activity is expected to be limited in time and scope, and occurring primarily on the publicly-owned property. Additionally, Component 2: Digital Integration envisions technical assistance to validate the viability and attract private investment to establish a data center and improve international connectivity to support Georgia's potentially growing role as a digital hub. The data center may use premises of an existing building or require new construction. The decision of the location and footprint of the data center is likely to be taken by the Project Appraisal. The Project will also finance feasibility study of the submarine cable, and does not include financing of that infrastructure. That feasibility study will include screening and overview of the expected environmental and social impacts.

Apart from the physical infrastructure and related impacts described above, the Project is not expected to have any other tangible impacts on people or the environment. Project activities are not expected to have disproportionate impacts on vulnerable or disadvantaged groups. The Project will undertake an assessment to explore barriers and measures for expanding access to broadband internet for vulnerable and disadvantaged populations, for including such groups in the digital literacy and skills activities, as well as for promoting the use of internet for learning, self-employment, and livelihood opportunities.

#### D. 2. Borrower's Institutional Capacity

The Project will be implemented by Telecommunications, Information and Modern Technologies (TIMT) Department of the Ministry of Economy and Sustainable Development (MESD) and Open Net - a non-entrepreneurial, non-profit legal entity established by the Innovation and Technology Agency of MESD to implement the State Program on Broadband Infrastructure Development in Georgia. Open Net will have primary responsibility for Component 1: Digital Inclusion, while TIMT Department will be responsible for implementation of Component 2: Digital Integration. Both



entities would need to recruit dedicated specialists, including for environmental and social management, procurement, financial management and technical functions, and would require training and capacity building on World Bank ESF. While Open Net has prior experience with procurement of works for installation of fiber optic cable, the organization has no prior exposure to the projects financed by the World Bank or other IFIs. Project coordinators and environmental and social specialists will require training on ESF requirements prior to project effectiveness, which will be delivered as part of the project launch workshop, as well as ongoing implementation support by World Bank environmental and social staff.

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

### A. Environmental and Social Risk Classification (ESRC)

Moderate

#### Environmental Risk Rating

Moderate

Civil works to be undertaken under the Project are of two types: laying OFC and providing premises for the data center. Segments of OFC may be either placed underground or overhead, depending on the landscape and presence of other infrastructure in the OFC corridor. OFC may be strung between towers of the existing power transmission lines, wherever feasible. Overall, OFC corridor will overlap or closely follow the existing linear infrastructure and will not have considerable additional environmental footprint. As for the premises for the data center, if an existing building is chosen to house these centers after retrofitting and reconstructing as need be, then no environmental risks would be expected other than possible impacts of construction waste disposal. If a vacant land plot is allocated for new construction, then there may be some additional risks associated with vegetation clearance and connection of the new building to the urban utility nets. In any case, possible impacts will be confined to the Project sites and be typical for the construction and operation of small to medium-size infrastructure. Coverage of the expected environmental and social risks and impacts of constructing the submarine cable by the feasibility study will have implications for the future detailed environmental and social assessment to be undertaken by the Government at the stage of the detailed design, but the present technical assistance will have no direct environmental or social impact. Therefore, environmental risks of the Project not exceed moderate level.

#### Social Risk Rating

Moderate

The Project will finance small and medium scale civil works. While some impacts on people and communities can occur, these are expected to be limited in scope and time, predictable, and possible to manage during the course of the project. Social impacts would mostly be positive and will benefit communities who have so far not benefitted fully from affordable and reliable broadband coverage in their community. At the same time, the implementing entities have limited knowledge of World Bank environmental and social standards, and no prior track record of working with international finance institutions.

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

#### B.1. General Assessment

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

##### **Overview of the relevance of the Standard for the Project:**

The main environmental and social risks of the Project are related to Components 1 and 2, specifically, to the installation of broadband infrastructure, and construction / rehabilitation of the data center facility. Other project



activities will focus on conducting research, developing and implementing training/learning programs, and other capacity building activities that will not trigger environmental or social risks. The Project is not expected to disproportionately impact vulnerable and disadvantaged groups; at the same time, it will undertake an assessment to explore measures for expanding benefits to vulnerable and potentially excluded populations both in terms of infrastructure and in terms of digital skills and learning. Vulnerable or potentially excluded groups may involve youth (specifically youth who are not in employment, education, or training representing about one third of youth in Georgia), elderly, persons with disabilities and their households or caregivers, owners of micro-and small enterprises in remote areas, residents of rural, remote, and mountainous areas, internally displaced persons, among others. The Project activities (in subcomponent 1.3) related to digital inclusion are proposed to include awareness, mobilization, and training activities that respond to the possible drivers of digital exclusion (e.g. gender, accessibility, demographic status). Activities will be designed by engaging with citizens, to identify Project-relevant gaps, and will be monitored for outcomes to track effects of digital inclusion.

The Project will employ direct and contracted workers, and will prepare labor management procedures (LMP) to ensure that their labor rights, health and safety and protected in accordance with national law and ESS2. The Project is not expected to cause significant (or any) labor influx or other risks to community health and safety. Nevertheless, Environmental and Social Management Plans (ESMPs) to be prepared for individual Project investments will incorporate all basic measures to ensure safe operation of civil works such as good waste management, traffic management, prevention and management of noise and pollution, etc. The project will also establish a grievance redress mechanism accessible by all project affected parties and interested citizens which will accept and address any project-related grievances.

Land acquisition, restrictions on land use and involuntary resettlement are not expected under the project. All efforts will be made to install broadband infrastructure (cable) on publicly-owned lands and with minimum disruption to existing activities. The establishment of data center are likely to use an existing facility to be rehabilitated for this purpose. Still, some land acquisition or temporary restrictions to land access may apply in the event that there no other feasible options but to use private lands. ESS5 will thus be considered relevant for the project and the task team will ensure that the implementing entities are aware of the requirements and have the capacity to screen for and manage ESS5-related impacts.

The Borrower will prepare an Environmental and Social Management Framework (ESMF) with guidance for site-specific ESMPs to be prepared during Project implementation, and a Resettlement Policy Framework (RPF) prior to Appraisal.

The World Bank's due diligence in assessing environmental and social risks associated with the proposed Project is based on the thorough discussion with the intended project implementing entities and general knowledge gained over the years of supporting implementation of urban and infrastructural operations in Georgia.

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

Borrower's E&S Framework will not be used for the Project as a whole or for any of its parts.

**ESS10 Stakeholder Engagement and Information Disclosure**



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

Key stakeholders are expected to include people and communities that would potentially benefit from the project, communities (if any) that may not be direct project beneficiaries but may have project-related infrastructure on their territories, local government at village, regional, and district levels, as well as national government institutions: Ministry of Finance, different units within the Ministry of Economy and Sustainable Development, Georgian National Communications Commission, public and private sector enterprises involved in internet provision. Other interested parties may include businesses from other sectors who stand to benefit - or lose - from expanded internet provision in remote and rural areas. Creation of a digital hub/center may have implication to businesses across the South Caucasus region.

## **B.2. Specific Risks and Impacts**

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

### **ESS2 Labor and Working Conditions**

The Project will involve direct workers (Open Net and MESD project management team staff and consultants) and contracted workers engaged in civil works under Components 1 and 2. Engagement of community workers is not expected under this project. The ESA process will determine if any suppliers will meet the definition of primary suppliers, and whether any risks are associated with such suppliers. Risks related to child and forced labor are not expected. At this stage, it is not possible to determine the number of direct and contracted workers to be involved in Project implementation.

Labor rights and occupational health and safety in Georgia are undergoing reforms aimed to strengthen the legislation, as well as the mandate and capacity for enforcement under the Labor Inspectorate. Between 2019-2020, these reforms are expected to affect positively the national Labor Code, Labor Safety Law, and Law on Labor Inspection (currently in draft form). At present, the national Labor Code includes provisions on non-discrimination, freedom of association, minimum employment age, Operational Health and Safety (OHS) and dispute resolution. However, the enforcement of workers' rights under the Labor Code is weak. As of March 2018, Georgia has introduced some mechanisms of OHS inspection, yet, for other aspects of labor and working conditions no such mechanisms exist. ESMF to be prepared for the Project will emphasize requirement for contractors to provide OHS training to their personnel, including training on safe handling of asbestos-containing materials that may be encountered during demolition/rehabilitation works on the existing old buildings. Technical supervisor of works will be required to be present on site during entire duration of works involving handling of asbestos-containing materials and closely oversee adherence to OHS rules.





A Labor Management Procedure (LMP) will be developed for the Project and will apply to all implementing entities. The LMP will outline the potential number and categories of workers involved. Civil works contractors will prepare Contractors' LMP. The LMP will also include Grievance Redress Mechanism for direct and contracted workers. Draft LMP will be prepared before Appraisal.

While tendering of civil works, bidders will be required to submit Environment, Social, Health and Safety (ESHS) Code of Conduct prepared in line with Environment, Health and Safety Guidelines of the World Bank Group. Contractors engaged in the civil works will develop a Occupational Health and Safety Plans which will include procedures on incident investigation and reporting. Contractors will be contractually required to monitor and enforce safety plans.

### **ESS3 Resource Efficiency and Pollution Prevention and Management**

The Borrower will be instructed on the inclusion of adequate thermal insulation into the design for reconstruction or construction of premises for the data center as well as heating and illumination systems supportive of efficient use of energy.

If reconstruction or construction of premises for the data center require full or partial demolition of any existing buildings, large volumes of demolition debris may be generated. This may include asbestos-containing hazardous waste. The Borrower will be required to make appropriate formal arrangements for the disposal of waste prior to commencement of civil works. ESMF to be prepared for the Project will provide guidance on safe handling and disposal asbestos-containing construction waste and, as need may be, specific mitigation measures will be included in the site-specific ESMPs.

### **ESS4 Community Health and Safety**

The Project does not anticipate significant, if any, impacts on the health and safety of communities. However, small or medium scale civil works may cause temporary disturbance to local communities, such as traffic disruption, waste, noise, dust, etc. These impacts will be mitigated via site-specific ESMPs to be followed by civil contractors and monitored by the implementing agencies.

### **ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement**

Land acquisition, restrictions on land use and involuntary resettlement are not expected under the project. All efforts will be made to install broadband infrastructure (cable and associated facilities of limited footprint) on publicly-owned lands and with minimum disruption to existing activities. Some temporary restrictions on access to land may occur during small and medium civil works under Component 1. Mitigation measures for access restrictions, as well for any accidental damages to private property by the contractor and the respective grievance mechanisms for such impacts, will be described in site-specific ESMPs and attached to the contract of civil works contractors. The establishment of data center is likely to use an existing facility to be rehabilitated for this purpose. Still, some land acquisition or restrictions may apply in the event that there no other feasible options but to use private lands. ESS5 will thus be considered relevant for the project. An RPF will be prepared by Appraisal and the task team will ensure that the implementing entities are aware of the requirements and have the capacity to screen for and manage ESS5-related impacts.



The Project will allow voluntary use of private land under Component 1 provided that affected land-owners have the option to refuse, that they are direct beneficiaries of Project activities, and/or Project impacts are small scale and temporary. The ESMF will outline the conditions under which voluntary use of private land may be allowed and provide a template for documenting voluntary land use agreements.

**ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources**

Impact on biodiversity and living natural resources is not expected, because civil works to be supported by the Project will be undertaken in transformed areas with the existing anthropogenic impact, within the corridors of the existing infrastructure. A vacant land plot may be allocated if construction of a new premises for data center is decided, but the location is likely to be in urban or peri-urban zone and well accessible. Therefore, impacts on biodiversity and habitats would still not be expected.

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

No indigenous people are known to reside on the territory of Georgia.

**ESS8 Cultural Heritage**

Two possible types of impacts on the cultural heritage may be expected from the project: chance finds may be encountered during earth works and if an existing building is allocated for the use by the data center, theoretically it may carry cultural or historic value. ESMF will carry chance find procedure to guide project implementing entities, their constructors and construction permission consultants in case of a find. If an existing building is allocated for the data center, the Borrower will be asked to ensure that it is not under protection as an item of cultural or historic value.

**ESS9 Financial Intermediaries**

Project design does not imply participation of financial intermediaries.

**B.3 Other Relevant Project Risks**

No other risks have been identified at Concept stage.

**C. Legal Operational Policies that Apply**

<b>OP 7.50 Projects on International Waterways</b>	No
<b>OP 7.60 Projects in Disputed Areas</b>	No

Public Disclosure



### III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

#### A. Is a common approach being considered?

No

##### Financing Partners

Possibility of using public-private partnership (PPP) scheme in the provision of premises for the data center will be considered at a later stage of Project preparation. If this idea materializes, the PPP arrangement will be part of the Project implementation and all activities supported from the private sources will follow the same applicable ESSs as those financed from the Bank loan.

In difference from the above, involvement of IFC in the Project implementation is not planned. Technical assistance for studying feasibility of a submarine cable connecting to Europe will be coordinated with IFC in light of IFC's potential involvement in the construction of this cable, should that be found advisable. However, construction works are not part of the Project and will not be undertaken contemporaneously with the Project.

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

##### Actions to be completed prior to Bank Board Approval:

Prior to Appraisal, the Borrower will prepare and disclose:

- Environmental and Social Management Framework
- Resettlement Policy Framework
- Stakeholder Engagement Plan
- Labor Management Procedures
- Environmental and Social Commitment Plan

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

- Recruit and train qualified E&S specialists within the project implementing entities
- Prepare, approve by the World Bank, disclose site-specific ESMPs and RAPs (if applicable); ensure that contractors prepare and adhere to Contractor's ESMPs and LMPs
- Implement ESMF, RPF, LMP, and SEP
- Establish Grievance Redress Mechanism for the Project.

#### C. Timing

**Tentative target date for preparing the Appraisal Stage ESRS**

01-May-2020

### IV. CONTACT POINTS

#### World Bank

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#### Borrower/Client/Recipient



Borrower: Ministry of Finance

**Implementing Agency(ies)**

Implementing Agency: Ministry of Economy and Sustainable Development

Implementing Agency: Open Net NNLE

**V. FOR MORE INFORMATION CONTACT**

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**VI. APPROVAL**

Task Team Leader(s):	Siddhartha Raja
Practice Manager (ENR/Social)	Javaid Afzal Recommended on 15-Oct-2019 at 12:11:28 EDT
Safeguards Advisor ESSA	Nina Chee (SAESSA) Cleared on 22-Oct-2019 at 10:57:32 EDT