

DETAILED PROJECT SUMMARY

Screening: The Project has been reviewed against OPIC's policy related to dam projects and determined to be categorically eligible. The Project has been screened as Category A because potential impacts are diverse and potentially irreversible.

Applicable Standards: OPIC's environmental and social due diligence indicates that the Project will have impacts that must be managed in a manner consistent with the following Performance Standards:

PS 1: Social and Environmental Assessment and Management Systems.

PS2: Labor and Working Conditions.

PS3: Pollution Prevention and Abatement.

PS4: Community Health, Safety and Security

PS 5: Land Acquisition and Involuntary Resettlement

PS 6: Biodiversity Conservation and Sustainable Natural Resource Management

PS 8: Cultural Heritage.

No indigenous people or ethnic minorities or clans were identified in the area of influence of the Mtkvari Project during due diligence. All residents in the area belong to the same ethnic group (Georgian) and have the same social structure. Because no significant adverse impacts on indigenous populations are anticipated PS 7 (Indigenous Peoples) is not triggered by the Project.

Although field studies and survey of relevant literature indicate that there are no significant cultural or historic assets or sites in the area of influence of the project, as part of construction environmental and social management plans, a Chance Find Procedure aligned with the requirements of PS 8 (Cultural Heritage) has been developed.

Consistent with the requirements of PS 3 (Pollution Prevention and Abatement) the project is required to meet applicable provisions of the IFC General Environmental Health and Safety Guideline and IFC Environmental, Health, and Safety Guidelines for Electric Power Transmission and Distribution.

Environmental and Social Risks: In addition to impacts and risks associated with any new construction and civil works (e.g., noise, dust, vehicle and equipment emissions, solid and hazardous waste management, and occupational health and safety) the ESIA identified that the main environmental and social impacts of the Project are: (1) inundation of 0.5 km² of steppe vegetation as a result of creation of the reservoir; (2) potential increase in the occurrence of landslides and erosion as a result of construction activities; and (3) reduced flow in a 27 km reach of the Mtkvari River, which could reduce the ability of the river to assimilate pollution and adversely impact biological resources in the by-passed reach. No significant adverse impacts are anticipated with respect to the following: sediment and nutrient transport, soils, local climate, water quality, community health, critical habitats and area demographics. Impacts on seismicity are not anticipated due to the small size of the reservoir. The dam is not classified as high hazard.

Occupational health and safety risks unique to this project include those associated with excavating the headrace tunnel such as the potential for cave-ins and collapse and degraded air quality. There are also unique risks associated with mounting and tensioning of electricity cables, such as potential for contact with live wires and working at height on towers.

The Project does not require any resettlement. Land required for the project primarily was purchased from the government. Approximately 2.3 acres of land was purchased from 5 private landowners through negotiated settlements.

Risk Mitigation: The Project has received the required approval for the Georgian Ministry of the Environment. Under that approval the Project is required to maintain a minimum flow of 6 m³/second in the Mtkvari River at all times and an average flow of 57.65 m³/second near the Village of Tsnisi. This minimum and average flow should be adequate to maintain the assimilative capacity of the river and to protect aquatic life. The Ministry also is requiring that the Project implement plans to minimize riverbank erosion.

The Project has established an environmental and social management system that is consistent with the requirements of the IFC Performance Standards. OPIC will require that the Project put in place procedures consistent with international best to address the unique occupational health and safety risks associated with tunneling and transmissions line installation.

OPIC Site Visit: OPIC staff undertook an environmental and social due diligence site visit from October 3-5, 2010. Meetings were held with the Georgian energy regulators, the Georgian Ministry of Environment and residents of the villages of Mnadze and Tsnisi.

Community Consultations: The Project held two public hearings in February and June 2009 and has conducted several information sessions during the scoping phase of the ESIA development and after issuance of the ESIA. The Ministry of Environment confirmed that the Project has met all national requirements for public consultation and disclosure. The Project has established a grievance mechanism and has assigned a manager to address any community concerns as they may arise. The Project has committed to periodic reporting on project status to concerned citizens and community groups. The Project has indicated that those briefings will take place on at least a quarterly basis during construction.