

Mtkvari HPP, LLC
Information Summary for the Public

Host Country:	Republic of Georgia
Name of Borrower:	Mtkvari HPP LLC, a limited liability company established under the laws of the Republic of Georgia
U.S. Sponsors:	Firebird Avrora Advisors LLC, a New York limited liability company; Firebird Management LLC, a New York limited liability company; and The Bank of New York Mellon Corporation, a Delaware corporation
Foreign Sponsor:	JSC Caucasus Energy and Infrastructure, a joint stock company established under the laws of the Republic of Georgia
Project Description:	The development, construction and operation of a 46.4 MW hydropower generation facility located on the Mtkvari River in Georgia
Total Project Costs:	\$89,000,000
Proposed OPIC Loan:	\$58,000,000
Developmental Effects:	The project will have a positive developmental impact on the host country, Georgia, based on the fact that it will increase the supply of renewable electricity in the host country and its neighbors. A substantial amount of the electricity generated by the new hydropower plant is to be exported to Turkey. The new electricity will be supplied by a hydroelectric power plant, and will thus not add to the output of carbon emissions in the host country. The project will have some downstream effects by reducing Georgia's imports of electricity from abroad. Since construction workers and contractors will be sourced locally, the hydro project will provide a boost to the local community, which is located in a poor region of the host country.
Environment:	<p>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.</p> <p>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:</p> <p>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.</p>

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 five private landowners through negotiated settlements.

Risk Mitigation: The project has received the required approval from 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 practices 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.
U.S. Economic Impact:	The project is not expected to have a negative impact on the U.S. economy or employment. Initial U.S. procurement is expected to have a positive impact on U.S. employment. The project will have a negative five-year U.S. balance of payments impact.
Workers Rights:	OPIC's statutorily required standard worker rights language will be supplemented with provisions concerning the right of association, organization and collective bargaining, minimum age, hours of work, the timely payment of wages, and hazardous work situations. The project will also be required to operate in a manner consistent with the requirements of the International Finance Corporation's Performance Standard 2 on Labor and Working Conditions. Standard and supplemental contract language will be applied to all workers of the project.
Human Rights:	In consultation with the Department of State, the project received human rights clearance on November 12, 2010.