

# MONITORING REPORT ON THE IMPLEMENTATION EU - GEORGIA ENP ACTION PLAN

Tbilisi, 2013

GREEN ALTERNATIVE

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# Monitoring report on the implementation EU - Georgia ENP Action Plan

## ***Introduction***

This document shortly describes progress in implementation of certain priority areas defined under the ENP EU-Georgia Action Plan for the period of November 1 2012 – October 15 2013<sup>1</sup>.

The Parliamentary elections 2012, October 1 had an impact on environmental protection and sustainable development fields in Georgia, due to the fact that the incumbent coalition “Georgian Dream” announced environmental protection as one of the major priority, in its election platform and confirmed it after the election.

Despite of some improvements that includes re-established ministry of Environment and Natural protection, the situation is still critical in an area. The decision making process does not comply with all required steps under the legislation. In addition, Georgian society requires fast and drastic changes from newly elected Parliament and newly formed government. In order to show results, the new government may also rush to implement the reforms in the environmental protection sector.

In parallel, the EU funded sectoral budgetary support programs, including the Regional Development and Agriculture Development programs are actively implemented in Georgia. Those programs may have a quite a large impact on the country’s state of Environment. The Sectoral Budgetary programs include development of environmental infrastructure, as well a road infrastructure and agricultural projects, and the impact may be either negative or positive.

In order to ensure that ongoing reforms and the projects in agriculture, regional development and environmental sector complies with the principles of Sustainable development, it is important to ensure wider discussions and consultations, revision of proposed reforms, full transparency and wide public participation. The vital importance should be given to the involvement of local CSOs in decision making processes and implementation in regional level, that from one side will support local capacity building, and from another side will create a stable reciprocal mechanism between society and authorities.

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<sup>1</sup> Previous reports available on the [www.greenalt.org](http://www.greenalt.org)

# Chapter 1. Progress in implementation of ENP Action Plan in environmental protection and sustainable development field.

## *Environmental Governance*

### Priority Area 3

#### Extract from the ENP Action Plan

**Encourage economic development and enhance poverty reduction efforts and social cohesion, promote sustainable development including the protection of the environment; further convergence of economic legislation and administrative practices.**

**Strengthen administrative structures and procedures to ensure strategic planning of environment issues and coordination between relevant actors**

Despite the fact that the convergence of environmental legislation is set by the Partnership and Cooperation Agreement, as well as EU-Georgia Action plan and the convergence of horizontal environmental legislation will be central in environmental chapter of Association Agreement, negotiated by EU and Georgia, the assessment conducted by Green Alternative in its 2013 report "Assessment of the Convergence of Georgian Legislation with EU Law - horizontal legislation", concludes number of deficiencies including that EIA procedure needs significant improvement, does not contain any concept of strategic environmental assessment and its procedural regulation, that legal means for public participation have been restricted significantly because of legislative amendments in recent years and etc. The legislative amendments implemented over the past years significantly distanced Georgian environmental legislation from the EU environmental principles and key priorities. As a result of the mentioned legislative and institutional changes, the influence of the Ministry of Environment Protection over the sphere of environmental protection and natural resource management has significantly decreased.

Another problematic area is that there is still quite low level understanding the approximation processes in general, as well as Environmental Aspects itself, among the state authorities, as well as Parliamentarians, CSOs and other related stakeholders. With the entrance into force of DCFTA the process of convergence of legislation in the environmental field will become urgent therefore it's important that all new laws passed by Parliament has been complied with major EU environmental directives.

In Spring 2013 the legislative changes proposed by the ministry of environment and adopted by the Parliament of Georgia, tries to improve the mistakes and faults of the previous government; It includes the reestablishment of ministry of Environment and Natural Resources and its enhancement through Environmental control and monitoring functions.

The one of the most controversial issues in 2012, was the introduction of so called new model for environmental damage compensation, that results in conclusion of an agreement of unlimited duration between interested parties and the Ministry of Energy and Natural Resource. In exchange for paying compensation in favor of the state the interested person is exempted from liability for the violations committed in the sphere of environmental protection and natural resources. In March 2013, the constitutional court of Georgia founds noncompliance of the Agreement Against Nature" with the Constitution of Georgia.

## *Sustainable Development*

### Extract From ENP Action Plan

#### Promotion of sustainable development

- **Identify steps to establish and implement the national strategy on sustainable development;**
- **Ensure strategic planning of sustainable development and coordination between relevant actors;**
- **Take steps to improve integration of environmental considerations into other policy sectors.**
- **Take steps to ensure that conditions for good environmental governance are set and start implementing them";**

The environmental policy integration in other sectoral policy is still a problematic issue in Georgia. The only attempt to ensure the integration of environmental issues in development strategy was an elaboration of Georgia's regional

development strategy 2010—2017 under the ENPI sectoral support program. However, due to the weakness of the environmental legislation and procedures during the implementation of the regional development strategy there were a number of the problems that undermine the integrity of the plan. It should be stressed that the regional development strategy 2011 and follow up documents under Sectoral budget Support program set an important precedent, how the process should be taken, implemented and later translated into the budget.

However, it should be also mentioned that due to the weak environmental legislation and procedures, during the implementation of regional development strategies the number of problems has been observed, that may create obstacles for successful implementation of strategy in order to contribute to sustainable development.

The one of the best examples of the above mentioned, is the road rehabilitation in Kazbegi region, that would be reviewed in detailed in the second part of the present report. It should be also stressed, that the amount of controversial projects under the regional development programs has been reduced in comparison with the previous years. That can be explained by the fact, that the Ministry of Regional Development in general slows down the processes and increase its attention towards the planning of the projects. Simultaneously, the transparency and public participation have been increased in the actions of the ministry, that should be welcomed.

## ***Public Participation in Environmental Decision Making***

### **Extract From ENP Action Plan**

- **Strengthen administrative structures and procedures to ensure strategic planning of environment issues and co-ordination between relevant actors;**
- **Adopt legislation and establish procedures regarding access to environmental information and public participation, including implementation of the Aarhus Convention;**
- **Continue preparing regular reports on the state-of-the-environment;**
- **Reinforce structures and procedures to carry out environmental impact assessments;**
- **Establish communication strategies on the benefits of environmental policy; support civil society actors and local authorities.**

The Georgian legislation recognizes public participation in environmental decision making as one of the key environmental principles (see Framework Law on Environmental Protection). However, declared principles are not reflected in specific procedures. In particular, most of the licenses and permits are issued under the rule of simplified administrative procedure that rules out active public participation in a decision-making process. In addition, a developer is in charge of providing for public participation in the EIA process/system (entire cycle is meant – from screening to implementation of the activity). This is particularly important as it does not comply with the requirements declared in the EU horizontal legislation, according to which a public authority, rather than a private entity, is obliged to provide means of the public participation. The Law on Permit for the Impact on Environment provides for public consultation during drafting an Environmental Impact Assessment study.

Furthermore, a public authority, and not any investor, are obliged to fulfill the key principles declared in Georgian legislation. The only positive change in legislation was that it obliges the Ministry of Environment to notify the public regarding the issued permits. However, in practice there are general improvements seen since April 2013. The ministry is publishing notifications on its web site regarding the opening of administrative procedure on the projects that represent high interest for the general public. Also in cases of the high public interest, it organizes the public hearings for interested stakeholders, that are requesting to be the part of the administrative process.

As the positive step should be assessed the establishment of legal entity of Public law, Environmental Information and Education Centre. The goals of the Centre among others are:

- To organize and administer environmental information system in cooperation with the state organizations, academic, non-governmental, international organizations and business sector having the relevant competence;
- To collect and share the environmental information;
- To collect the information on ongoing and completed environmental projects in Georgia, to create the database and to ensure its publicity;
- To collect statistical data related to the field of environmental protection;
- To establish and maintain an environmental library;
- To facilitate the access to environmental information through the website and other information sources (internet-information network, media, etc.);

However, it is quite earlier to judge about the effectiveness of the center on this stage.

Another step undertaken by a government that assessed positively is adoption the Decree N: 219 of the Government of Georgia "About Electronic Requests and Proactive Disclosure of Public Information". The Decree contains seven sections, defining standards of Public information disclosure, rules of request of electronic request of public information and the List of Information to be Published Proactively. That would also have the positive impact on environmental governance.

## **Energy Sector**

### **Extract From ENP Action Plan**

#### **Energy policy convergence towards EU energy policy objectives**

- **Elaborate and implement a coherent long-term energy policy converging gradually with the EU energy policy objectives including security of energy supply**

#### **Progress on energy efficiency and the use of renewable energy sources**

- **Take steps to develop an action plan including a financial plan for improving energy efficiency and enhancing the use of renewable energy;**
- **Adopt legislation addressing energy efficiency and renewable energy;**
- **Reinforce the institutions dealing with energy efficiency and renewable energy sources;**

On January 2013, Georgia submitted a full membership application to the European Energy Community, but the major areas of progress in the energy sector have been achieved through internationally funded initiatives rather than country-driven initiatives, and the elaboration of a law on energy efficiency and renewable energy has again been postponed.

During November 2011-June 2013, Georgia made no significant progress in approximation of its energy and climate legislation, although a package of legislation was adopted that will allow a strengthening of the administrative and control capacity of the Ministry of Environment, and the introduction of approximation legislation might still be submitted to parliament in 2013.

The major problems and challenges stayed unchanged in Georgia's energy sector. In general, Georgia's has no strategic development plan for the energy sector and since 2001 energy balance has not been prepared. Despite certain positive changes over the past years, the sustainability of the energy system is still problematic in Georgia. Among the key problems we can distinguish the safety of supplies; integration of environmental standards both in the process of energy generation and consumption; also development of competitive systems with the purpose of supplying power to consumers at moderate prices. Today Georgia is completely dependent on imported organic fuel creates the danger of economic and political dependence for the country, while the parameters of energy intensity exceeds the parameters of EU member states 2-3 times.

Without proper analyses to address the legacy of the past, both old and new Georgian Government works to position the country as a future regional renewable energy hub and develop number of the HPPs, including both highly controversial large dam cascades mainly in the mountainous areas of Georgia, including the Khudoni HPP (702MW, annual output 1.5 TWh) on Enguri, the Namakvani cascade (450 MW, annual output 1.6 TWh), Nenskra Cascade (438 MW, annual output 1.2 TWh), as well as divert ones such as Paravani (87 MW) and Dariali HPP (109 MW), as well as small HPPs all around the country with almost 1000 MW installed capacity.

The planned projects do not comply with the principles of sustainable development, and they may have serious negative impacts to the environment, drastically change the social and demographic situation in Georgia's mountainous regions and also lead to the destruction of cultural heritage.

Simultaneously those newly developed HPPs will hardly address the problems of seasonal imbalance and excess of energy (Experts estimate the amount of excess energy to be approximately 700-800 GWh annually, or about ten percent of the total in-country's electricity generation), as well as affordability of electricity prices and energy intensity.

The trend of 2012 has been continued in 2013 by government without significant changes in models. As it was before government continues to provide Build, Owned, Operated, BOO Model for construction of the dams. In August 2013, the Ministry of Energy adopted the new regulation for construction of new Hydros under the Renewable energy 2008 program without any public discussion.

The requirement for the hydro owners to ensure provision of 20% of annual electricity output to be purchased by ESCO through guaranteed purchased agreement during first 10 years of operation is considered as a step forward. However, it does not regulate the seasonal imbalances as it does not specify when this 20% should be provided to the energy system.

In addition, Ministry of Energy keeps malicious practice of defining and adopting the list of potential hydropower stations and announcing the expression of the interests, that specifies the name of the potential hydro station, potential location place, scheme and all major technical parameters (that are usually subject of EIA process). The winning company will sign the memorandum of understanding with the Ministry of Energy and ESCO. The regulation itself does not imply public participation neither in the case of preparation of Potential List of Hydros, neither in the case of the expression of the interests, while before the EIA specifics all relevant technical parameters as it was in previous years.

## **Actual Projects Implementation and Problems Related to it.**

### **Paravani HPP**

It should be also mentioned that Green Alternative submitted the complaint re: the EBRD financed greenfield Paravani HPP in February 2011. The final report of the PCM will be published in late November 2013, as it still needs to be adopted by the EBRD Board of directors. However, according to letter of PCM officer, the final findings of PCM expert is that project is non-compliant with PR 1 "Environmental and Social appraisal and Management", PR 6 "Biodiversity Conservation and Sustainable Management of living Natural Resources" and PR 10 "Information Disclosure and Stakeholder Engagement."

The conclusions of the PCM will have an impact not only on the Paravani HPP but rather broader, as the Paravani HPP model served as the models in almost all later developed EIA's for derivation and run off river HPPs.

### **Khudoni HPP**

The Khudoni HPP has been considered by the Ministry of Energy of Georgia as strategic project. However, the relevant documents that would proved above mentioned, as cost benefit analysis of the project, as well as Resettlement action plan and a number of other specific studies requested by the Netherlands Commission on Environmental impact assessment is still not available<sup>2</sup>.

#### ***Social issues***

The project impact on local communities is the most important and painful issue and keeps environmental and economic risks in the background. If the project is implemented as proposed, the villages of Khaishi and Chuberi communities, agricultural plots, pastures, forests, two churches, graves, significant historical monuments, including a medieval castle of Khaishi, yet to be studied archaeological monument discovered in Khaishi dated back to the 1st century, as well as Jvari-Mestia road will directly (flooding area) or indirectly be affected by the project; Over two thousand people will face resettlement that will create increased political risks for the country in a long-term perspective. Moreover, even excluding the difficulties related to involuntary resettlement, such fragmentation (which the Svan people have already suffered in the recent past because of natural disasters) will have a devastating impact on a small ethnographic group of Svan people. In addition, the project sponsor - TransElectrica still tries to conceal the real magnitude of impacts on the local communities and neglect the interests of those affected villages, which are left beyond the flooding area.

No resettlement plan has been released along with the Environmental Impact Assessment (EIA) Report that makes reviewing of the EIA documents absolutely senseless. The project developer speaks about the use of the World Bank policies and its standards; however, the methods used by them are very far from both the World Bank policies and international human rights law, according to which detailed, targeted consultations should be held with the population likely to be resettled due to the project and the latter should have an opportunity to participate in the planning and implementation of the resettlement program. It should also be emphasized that 1500 hectares of land and real estate located on it, including the property of the local population, as well as the works estimated at USD 178 million carried out during the Soviet period in Khudoni HPP project area, were transferred to TransElectrica at a symbolic price of USD 1 without any consultations with general public and/or project-affected communities.

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<sup>2</sup> [http://moe.gov.ge/files/PDF%20%20Eng/News/Angarishi\\_ENG.pdf](http://moe.gov.ge/files/PDF%20%20Eng/News/Angarishi_ENG.pdf)

The absolute majority of the population likely to be resettled due to the project is against resettlement. It should also be noted that a part of the population had already been relocated during the Soviet period, but their significant part was unable to adapt to a new location and returned to original housing. Repeated resettlement of these families is even more difficult and unacceptable. Furthermore, it should be emphasized that Georgia has no national policy and legal procedures for development induced involuntary resettlement that would have ensured appropriate standard of living for the relocated population as required under international law.

### ***Economic issues***

It is unclear how Georgia will benefit from the project implementation. Obviously, the project is profitable for the investor, but it does not automatically mean that it will be profitable for the country too. The assertions made by project proponents about annually 10% growth of electricity demand are extremely questionable. Moreover, the statements about high significance of Khudoni HPP for the country's energy independence is also very doubtful and tendentious: the state will annually receive from Khudoni HPP only 133m kWh of electricity at US 5.84 cents (that is about 7% of the entire electricity generated by Khudoni HPP), while in case of additional need, the state will have to purchase electricity at an international price. Hence, it is obvious that the mentioned project has export purposes. The project does not discuss any alternatives to fill power shortage, such as energy efficiency and complete rehabilitation of existing hydro power plants. Moreover, it provides an insufficient discussion of economic, social and environmental consequences of alternative design solutions. It is absurd to claim the special role of Khudoni HPP for Georgia's energy sector since the country still has no national development strategy and plan, while the Ministry of Energy has not yet developed the strategic energy development plan; moreover, no energy balance has been done since 2001.

Judging the information provided in the project documents, from economic point of view, the Khudoni HPP project will bring minor benefits to the country that will be reflected in mobilizing property and income taxes to the central and local budgets of the country. Furthermore, the project will generate insignificant macro-economic benefits in terms of GDP growth (not even in the amounts mentioned in the EIA report); however, all the project benefits are miserable against the background of the damage incurred to the region and the country, as a whole.

Unfortunately, the Ministry of Economy and Sustainable Development of Georgia has not carried out cost-benefit analysis; neither did it request the investor to carry out such analysis. Generally, when foreign investments are made only in exploitation of natural resources, it does not mean healthy and sustainable economic development; especially when China, India, Turkey and other giant countries express their willingness to exploit natural resources of a small country, like Georgia.

The environmental studies are incomprehensible and do not provide a real picture to assess environmental damage caused by the project. The EIA document lists a number of mitigation and compensation measures, which are usually provided and simply copy-pasted into almost all the EIA reports prepared by various Georgian EIA consultants (plant transplantation in relevant conservation centers ; plant reproduction from seeds collected in nature; creation of live plant collections in conservation centers) but never implemented in practice.

The EIA report reviews only the cumulative impact of Nenskra HPP; however, according to the available information (order #125 of the Minister of Energy dated August 22, 2013), the Ministry of Energy plans to build nine HPPs on the River Enguri, including three HPPs – Khaishi HPP (670 MW), Pari HPP (230 MW) and Tobarı HPP (250 MW), with large reservoirs. Moreover, a couple of days ago the Ministry of Energy signed a memorandum, on behalf of the government, on the construction of HPPs on Nenskra tributaries. Construction of hydro power plants is also planned on the River Mestiachala.

It is quite clear from the Energy Ministry's plans and EIA report that neither the investor, nor the state plan to implement compensation, offset measures that, first and foremost, should envisage the establishment of a protected area with high conservation status (nature reserve, national park) on the territory of Zemo Svaneti as well as protection of watersheds. Unfortunately, there is not a single square meter of protected area in Svaneti region. This recommendation was also given by the Netherlands Commission for Environmental Assessment (NCEA), that also requested the additional studies re Khudoni HPP, including Cost Benefit analysis proving the state benefits for the country, to ensure informed decision-making.

### ***Concerns related to public participation process around Khudoni HPP***

During the public consultation meeting in Khaishi village, September 17, 2013 number of violations were witnessed. A day before the discussion, on September 16, the director of the project sponsor company, Trans Electrica visited Khaishi village together with the deputy chief of Samegrelo-Zemo Svaneti's regional police department; they met with about ten local residents. The deputy police chief demanded the locals not to express their opposition to the project during the public discussion and not to display protest posters.

On 17th of September, a couple of hours before the discussion, non-local police officers started to gather in the Khaishi police building, with a total number of 40, some of them equipped with firearms. Shortly before the launch of the public consultation meeting several police officers entered the meeting room. Such behavior by police officers can be considered as an attempt to silence people opposing the project.

Half an hour before the public discussion started, Deputy Energy Minister came to the local administration building and told the locals gathered outside the building that Khudoni HPP would be built in any case. He repeated the same words during the meeting that fuelled up tensions.

Taking into account, that the meeting room was extremely small, and could not fit the all interested persons, meeting starts in front of the venue. Where instead of Project sponsor and EIA team, the key speaker was deputy minister of energy, who rather to listen the remarks and opinions of the project affected communities, he spoke about the irreversibility of the project implementation arguing with anyone, who dared to express concerns over the project. The local population demand to suspend the meeting after three-hour meeting in the open air, as they found out that mostly the company's representatives, consultants, public officials and police officers were present in the meeting room. Local population considered it unacceptable, because they supposed that such discussion would be used to the detriment of their interests.

According to Georgian legislation, the state must evaluate the advantages and disadvantages of such project, which "affects the undefined circle of persons, is characterized with serious danger to human life or health, comprises significant state or social interests or is related to utilization of state resources" (Law on Licenses and Permits). The Khudoni HPP construction and operation project belongs just to this category.

However, there is the signs of the pressure on competent authorities – Ministry of Environment and Natural Resources that should issue the positive ecological expertise conclusion and Ministry of Economy that issues the construction permit. September 16th, 2013, the Ministry of Environment and Natural Resources issued preliminary comments on Khudoni HPP, that requires the significant geological and seismic studies, as well as Resettlement Action Plan and Cost Benefit analysis of the project.

Unfortunately, this process is passing with violation of legal requirements: while the entire process should be carried out by the project developer, top officials from the Ministry of Energy actively interfere in the process of assessment/consultations, answer the questions of various stakeholders instead of the project developer during public consultation meetings or through media outlets, and make promises on behalf of the company. In addition, top officials from the Energy Ministry claim that the interests of the project-affected communities would be fully taken into consideration, but at the same time, they do not demonstrate even a minor readiness for it. The key demand of the local communities to discuss the project alternative, under which the villages will not be inundated, is categorically unacceptable for the ministry. The representatives of the ministry (as well as the Georgian Prime Minister) try to assure the society without any substantiation that the implementation of the Khudoni HPP project in its proposed form is inevitable.

The neglecting of legal procedures on decision-making over the planned project, as well as exerting pressure on competent authorities and project-affected communities should be considered as continuation of the practice of former government - when the top leaders of the country were making decisions on implementation of various large-scale projects without any assessment of economic, social or environmental implications, whereas the competent authorities were simply required to fulfil these decisions, i.e. to issue the permits.

In addition, the given pressure is coupled with the campaign against the persons and organizations critical to the Khudoni HPP project aimed at undermining their reputation; project opponents are portrayed as the agents of hostile countries and opponents of the country's development. e.g. the Georgian Prime Minister's remarks made on September 16, when he directly called on the society not to listen to the opponents' statements ("It is impossible to hamper the implementation of the country's development strategy; do not believe the opponents, who only make a noise and cannot do anything more", he said). By this, Prime Minister demonstrated that any remark or opinion, which even slightly opposes the decision he already made - "Khudoni HPP must be built, like many other hydro power plants" - is a priori unacceptable for him.

It is also alarming that project proponents claim that the Resettlement Action Plan will be prepared and executed in compliance with World Bank 4.12 policy on involuntary resettlement however, at this stage all WB procedures are violated, including the fact that the Government of Georgia already sell 1500 ha to the project sponsor for 1 USD, that also includes the non registered lands of Khaishi villagers. The company agreed to return the lands to the owners, only in case of signing agreement on resettlement.

## **Transport Sector**

### **Extract From ENP Action Plan**

#### **Implement selected measures and reforms in the railway transport sector**

- **Improve efficiency of freight transport services (including issues of border crossing procedures). Promote multi-modal services, address issues of interoperability.**
- **Complete Restructuring of the railway sector;**

During 2013 the number of large infrastructural projects in the transport sector has been significantly reduced, especially in the railway sector. While Baku-Tbilisi-Kars new railroad construction project development was ongoing, the railway stops implementation of two other massive projects as . Tbilisi by-pass railway and central railroad rehabilitation projects.

### **Tbilisi By Pass Railway Project**

In May 2010 Georgian Railway LLC (100% of its shares are state-owned) receives 200 mln Euro worth loans from the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB) for financing the Tbilisi Railway Bypass Project. The main goal of the project is to relocate transit of hazardous goods (crude oil and oil products) from the densely populated area outside the capital with the purpose of increasing the efficiency and safety of railway operations. The project envisages the construction of a new railway section bypassing the central area of the capital city and modernization of the Didube and Navtlugi railway stations. According to the project, the redevelopment of freed-up territories will promote the development of the northern part of the capital.

The project has been problematic already since the beginning. It envisages the construction of 18-20 meter high embankments in the densely populated Avchala district, where the trains loaded with hazardous freights (crude oil and oil products) will be moving. The project does not discuss adequate safeguard measures for the population living along the route, while leaving around 900 families without proper compensation for their land. Neither has it studied the negative impact of brake fluid on living conditions in the area. The minimal distance of the railway project from the Tbilisi Sea is 900 meters. Even in case of spilling half a cistern, i.e. 30 thousand liters, about 50% of useful capacity of the reservoir will become useless that will leave the population of three districts of Tbilisi as well as about 20 thousand ha of agricultural lands of the Gardabani district without water.

In addition, the project does not include money to clean up the freed territories from hazardous wastes, as well as does not include any real costs of this exercise, that undermines the possibility to assess whole economic viability of the projects.

It should be mentioned that in September 2010, Government of Georgia refused to take a subsidized loan from EIB, and refused the EBRD loan in November 2011. In order, to finalize the project, Georgian Railway issues 250 million USD obligations (interest rate 9,875% - per coupon), as well as hopes to receive money from the state budget.

In January 2013, the project was stopped and an investigation started by the prosecutor. According to the statements of railway company new management the finalization of the project will require the extra costs exceeding planned expenditures. In addition, there is number of concerns in terms of increased costs of operation of railway, including maintenance and operational costs, as well as increased distance and timing for carriage trains due to the non properly planned route, including:

1. Annual maintenance and operational costs for given part will increase from 8.1 mln USD to 12.2 mn USD.
2. The operational costs for train movement will increase from 3.8 mln USD to 5.1 mln USD (+35 %).
3. The distance for carriage trains increasing by 50% (daily from 1280 km to 1920 km), and duration by 150% (daily from 1302 minute to 3242 minute).
4. The costs significantly increases due to the increased cost of electricity from 15.998MW/h to 32.940 MW/h per annum.
5. During the next 10 years the costs for maintenance of infrastructure will increase from 126 mln USD to 198 mln USD.

## **Central Railway Rehabilitation Project**

In 2010 the central railway rehabilitation project implementation started. The project aims modernization of Tbilisi-Black Sea direction Railway line – of Tbilisi-Batumi line (315km) electrification, as well as 40 km of modernization of 40 km of mountainous passes to ensure the increase of the train speed (to reach 80 km /h on the pass and 120 km/h on the other sections of the line). Nowadays, the average speed on the mountainous pass is around 55 km/h, and on other sections of the line is around 65-90 km/h.

The construction of the railway gets negative outcry among the communities living along the railway line due to the noncompliance with environmental standards. Particularly, the villages of Kharagauli municipality protest that that construction company illegally disposed construction waste on village pastures, valleys and river beds. Despite the numerous requests of local villagers, the waste illegal disposal was continued. In addition, subcontractor changed the route from the one approved under the environmental permit and creates the treat to Zvare mineral water deposit. Ministry of Environmental protection starts case against of the Georgian Railway Company in February 2013. The local people, whose lands, that have been recognized by government as state owned, had problems in receiving of compensation.

## **Concerns Related to the Urban Planning and Green Areas of the Cities.**

The problems of Green Areas continued to be problematic issues for all major cities of Georgia, including Tbilisi, Kutaisi, Batumi, Zugdidi. The local population is complaining against the activities of local municipalities that leads towards cutting of the trees, squares and parks in the middle of the cities. As a response to the local government's inaction the Partisan Guerilla movement has been established, the group of citizens in Tbilisi, Kutaisi and Mestia start to plant trees and flowers in areas, where the local municipality issued permit for cots.

It should be noted that 16 September, 2013 the Tbilisi local authorities issued the permit for construction of the restaurant in neighborhood area of Turtle Lake, despite the harsh opposition from the people, numerous petitions and meetings with local Sakrebulo. In addition, the permission for construction of the Hotel in Vake Victory Park has been given to the developer, despite the fact that the park has a status of the cultural heritage.

The local public, as well as CSOs is not involved in the decision making process and decisions made by local government is available post factum. The local authorities undermine signed Covenant of Mayors, on local sustainable energy initiative, that commits towards of Aalborg Commitments, as the basis of many ongoing urban sustainability efforts and Local Agenda 21 processes; For now, Tbilisi, Kutaisi, Batumi, Rustavi and G municipalities are signatories of the Covenant of Mayors.

The Sustainable Energy Action Plan City of Tbilisi For 2011- 2020, developed by Tbilisi's municipality under the Covenant of Mayors also commits, development of Green Spaces, including the creation of "Environmental Islands" and extensive tree-planting exercise. However, till now the implementation of the Action Plan has not been started. While the behavior of Tbilisi's municipality, including ignoring of public participation and widespread tree cutting all around city raises our concerns also towards implementation of the plan.

## Part 2. Some Challenges of Regional Development Sectoral Budgetary Support Program in 2012-2013

Regional development, sustainable economic and social development, poverty reduction represent one of the priority areas, as provided in the EU Georgian National Indicative Plan. Sub-priorities here are environmental protection and sustainable development.

Respectively, EC financed regional development sectoral budget support program and, Regional Development National Strategy 2010-2017, developed within its framework provides for environmental protection, including the environmental infrastructure and sustainable development. This is for the first time in Georgia's history, when environment and sustainable development are closely integrated in the strategy and action plan.

In 2011 development of program for budget sectoral support for agriculture began. At the same time elaboration of strategy started, and in January 2013 the first tranche was signed.

European regional development policy is based on the political principle that the richer countries and regions need to maintain solidarity with the poorer ones, and on the economic principle that the lower levels of output of the poorer Member States and regions, or those with high levels of unemployment, are a loss of potential and opportunity for the Union as a whole. Investing in modern infrastructure and innovative businesses, better education and training for people in the weaker regions opens up valuable new markets and extends the economic potential of all Member States. At the same time, Cohesion Policy helps to underpin the consensus behind key historical achievements of the Union.

The EU offers to the neighborhood countries the regional development policy, based on similar principles. The EU regional policy aims at coping with the challenges of uneven development of regions, urban development and restructuring of rural and other areas .

The present report attempts to show the ways of achieving the goals, set forth in the European Neighborhood Policy action plan. To see, at the one hand the challenges emerging in the process of implementation of the regional development strategy, and on the other hand to draw up, together with local organizations, recommendations promoting integration of environment and sustainable development issues both in decision making and project implementation processes.

It is noteworthy that in the end of 2012 and beginning of 2013 the communication with ministries of regional development and agriculture, as well as with the respective parliamentary committee, and public participation in decision making process have significantly increased. At the end of 2012 the Ministry of Regional Development, together with NGOs initiated a wide-scale reform of self-government system. This shall lay the foundations for improvement and strengthening of local and regional self-government all over Georgia. In March 2013 Georgian government approved basic principles of self-government and decentralization. These principles include a package of necessary actions and legislative changes to be carried out before 2014 the local elections.

In October 2013 the government developed the self-government code that totally changes the existing local government system and is in conformity with European Charter of Local Self Government.

As a result the number self-governing cities will increase from today's five (Tbilisi, Rustavi, Kutaisi, Poti, Batumi) to much more. This status will be granted to the towns with population of more than 15 thousand (e.g. Zugdidi, Gori, Ozurgeti etc.). Communities of nearby villages will be set up, on the basis of which municipalities will be formed. Government of self-governing units (cities and municipalities) will be elected. Fiscal decentralization long-term vision was also defined. This will provide self-governments with more financial resources.

The Code also provides for setting up public councils within villages to promote to reveal real needs of rural population and to meet them.

All the above will promote implementation of subsidiarity principle – one of the main EU principles, where the decision shall be taken not on the highest level but on the level ensuring the best consideration of the needs and ideas of each individual.

This principle implies implementation of certain functions and competences at the lowest level. The State shall take minimal involvement in the settlement of relations within society and shall interfere only in the case, when local self-governments fail to solve a specific problem.

As a result of the reform correct social and economic development of both, towns and villages will take place; local government will have better reach out to the people, which, on its turn, will help increase the inclusion of the society in solving local problems; the quality of public services will improve; solving of vitally important issues on the ground will increase public responsibility.

At the same time regional and local administration agencies' capacity building will be necessary in order to reach the above goals. Respectively, not only distribution of roles and responsibilities between central and local governments, their financial and property maintenance are important. It is necessary to increase the knowledge and capacity of local government staff, efficient inclusion of individuals in the decision-making process on a local level.

The regional development strategy for Georgia 2011-2017<sup>3</sup> recognize the participation and social partnership principles as one of the main ones. The Participation principle means the publicity of the planning, adoption, implementation and monitoring of the regional development strategy and the participation of citizens, interested parties, organizations and various social groups in this process. While the Social partnership principle means the creation of institutional mechanisms for all interested stakeholders, based on consensus and partnership.

However, the regional development strategy does not provide any readily available recipe to ensure partnership principle implementation. The partnership can bring many benefits and added value, ranging from enhanced commitment and broader expertise to greater transparency and improved efficiency of the policy making process. However, experience shows that there are wide differences across the EU on application of the partnership principle, depending on national institutional setups and political cultures. The effectiveness of the partnership principle also depends on the technical ability of the partners to contribute substantively to the process, raising the question of capacity-building.

In accordance with Regional Development strategy document 2010-2017, in 2012 Georgian government approved Mtskheta-Mtianeti and Imereti regional development strategies for 2012-2017. In 2013 Georgian government developed and approved Guria, Samegrelo-Zemo Svaneti, Racha-Lechkhumi and Qvemo Svaneti , Samtskhe-Javakheti , Shida Kartli , Kvemo Kartli and Kakheti regional development strategies for 2014-2021. Financial support in this matter was provided by World Bank, GTZ and other international donors.

In compliance with Georgian government document "The Country's Basic Data and Trends 2014-2017" , regional development projects from 2014 will be implemented on the basis of regional strategy. The following priorities have been identified:

- Development and implementation of uniform government policy regarding development, design and scientific and technical progress of the network of national and international roads;
- Implementation of the arrangements on introduction and development of water supply systems for Georgian population;
- Development and planning the policy of arranging landfills in self-governing units (except Tbilisi and Ajara Autonomous Republic);
- Monitoring of disaster caused damages the regions;

The planned priorities are in conformity with one of the priorities of the EU Georgia Single Support Framework 2014-2017 – Rural development and agriculture. The priority implies both, diversification of the activities and development of technical infrastructure in small towns and villages.

The problems and challenges identified during the monitoring of the regional development projects and elaborated recommendations will help both local authorities as well as ministries to ensure more transparent and effective planning of the development projects, while in longer term perspective will strengthen local government and to carry the European Charter of Self-Government and the EC recommendations into execution.

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<sup>3</sup> <http://mr.di.gov.ge/en/legislation/strategy.html#sthash.7zU74ksl.dpuf>

## Case Study - Damaged Travertine in Kazbegi Region

### ***The project background information***

Mtskheta-Mtianeti regional development strategy 2012-2017 was approved under Georgian government resolution #1687 of 5 September 2012. It was based on p. “s” of article 5 of the Law of Georgia on “The Structure, Authority and Work Order of Georgian Government” and Attachment 2 (technical and administrative provisions) to 14 November 2011 Financing Agreement between the EU and Georgian government (“Support to regional development reform in Georgia”).

Mtskheta-Mtianeti development strategy 2012-2017 reflects opportunities and the potential for economic and social development of the region and contains the list of specific projects to be implemented there. The latter includes stage by stage rehabilitation of Mtskheta-Stefantsminda-Larsi highway until the end of 2013.

The rehabilitation works design for Gudauri-Kobi segment of Mtskheta-Stefantsminda-Larsi highway complies with Georgia’s regional development strategy 2010-2017, where the development of the transport system is considered a necessary condition for the development of regional infrastructure. According to the document well-established transport infrastructure, which includes internal auto- and railroads is absolutely necessary for sustainable regional development.

As provides 2012-2017 strategy document “though central government in recent years implemented the arrangements in Mtskheta-Mtianeti region for the rehabilitation of roads with the view of streamlining the infrastructure, the problems still remain. This, first of all refers to Kobi-Gudauri segment of Mtskheta-Stefantsminda-Larsi road”. At the same time rehabilitation of Kobi-Gudauri segment is among the top priorities in all infrastructural projects in the region. In 2013 department of highways of the Ministry for Regional Development and Infrastructure carried out rehabilitation of Kobi-Gudauri 12 km segment of Mtskheta-Stefantsminda-Larsi international highway (96th-107th km). The work included asphalt-concrete pavement and rehabilitation of 3 tunnels.

The road was in a very poor condition as it had never been repaired for recent decades. The same refers to the tunnels, built in the 40-ties of the last century.

Tunnels rehabilitation included overlaying of semi-open avalanche-protective tunnels, waterproofing and drainage systems, the release of the surface from excessive soil, cleaning of the construction and application of waterproofing sprayed concrete layer. Also, the removal of the top layer of the road to allow passage of large-sized vehicles. Kobi-Gudauri segment repair work was carried out by government-owned “Construction Company” Ltd, and the tunnels’ rehabilitation – by “Mamisoni” Ltd.

### ***Environmental Issues***

“Mayorsha” tunnel at 102+165 km and 102+600 km segments of Mtskheta-Stefantsminda-Larsi highway turned out to be problematic. Rehabilitation works at these segments resulted in the damage of travertine – a unique natural resource of Kazbegi.

Travertine is porous, low-density, semi-crystalline solid deposit formed by cold or hot springs as a result of the settling of calcium carbonate (more often aragonite). On the surface it forms an uneven-shape film, which takes quite long to appear. Often it contains imprints of plants, land and freshwater mollusk (gastropod) shells. According to scientists it is the travertine valley that causes appearance of mineral waters in Kazbegi area. Travertine of Gudauri-Kobi road segment is included in Georgia’s tourist route.

It should be mentioned, that in winter road is usually blocked in this area by avalanche and wind snow. The tunnels serve as an alternative to the road which imposes a very important function on them.

“Mayorsha” tunnel was in a very poor condition as water and groundwater substances, penetrating there in winter time freeze in the roadway that is to reduce the size of the structure. Besides, under hydrostatic pressure groundwater penetrated concrete and construction joints of the structure causing longitudinal icicles. All this created obstacles to transport movement in the tunnel.

In May 2013 repairing company, working in “Mayorsha” tunnel damaged the so-called travertine valley, which was one of the sites of Kazbegi tourist routes. The company needed to bring equipment to the back of the upper wall for which it cut significant part of travertine and paved the way for moving construction equipment. The project envisaged that the works be carried out from northern portal of the tunnel. Accordingly it entailed the damage of travertine.

As a result of the repair 2 m thick travertine was removed from 600 ha territory. As for the remaining travertine, there is no access to it since the road is totally ruined. It will take hundreds of years until new travertine grows because, erupting from the ground water, which used to be spread over quite a wide area, now has no space. According to the specialists it would have been quite possible to approach the tunnel from the South and let the equipment move there. This would save most of the travertine from the damage during tunnel rehabilitation works.

It should be mentioned that according to the Ministry of Environment travertine are not protected monument of nature and accordingly the construction company did not need to take environmental permit. The same was stated by the Ministry of Regional Development – this was not a protected monument of nature but just tunnel operational road which releases the company from the obligation to take the permit. All the above stresses again vagueness and weakness of environmental law.

It is noteworthy to stress, that the activity “engineering protection of road tunnel” under sub-point “k” of p. 1 of Article 4 of the Law of Georgia “On Environmental Permit” and activity “change of operation mode” under the p.2 of the same Article 4 requires Environment Impact Assessment. Besides, under Article 5 of the same law (Environmental Technical Regulations) all the activities not falling under p.1 of Article 4 need to comply with environmental technical regulations. This provision of the law is in force since 2007. However, Ministry of Environment has not yet developed environmental technical regulations, establishing environmental requirements for road rehabilitation projects.

The given travertine valley does not represent the nature monument. There were the regular attempts to include it in the list of protected monuments under the “On the creation and management of monuments of nature”. However, the law, for uncertain reasons, has not been adopted by the parliament till now. Many monuments of nature, like the travertine, are at risk of extermination in Georgia.

## **Case Study - Rehabilitation Projects Underway in Tskhaltubo Municipality**

### ***Background information***

Tskhaltubo spa resort is well known not only in Georgia but also in the republics of former Soviet Union. Tskhaltubo thermal radionics water is recommended for the treatment of up to 60 different diseases. Tskhaltubo has been enjoying spa status since 1920. One of Tskhaltubo’s landmarks is its park in the center of town with total area of 74 ha. The park was designed in the beginning of last century and has been preserved almost unchanged. No works were carried out in the park for recent years, herbage has not been renewed. The park suffered significant damage during energy crisis. Cattle grazing became its main function. All the infrastructure was destroyed due to no repair works:

Canals around the park and footbridges are damaged, paths and stairs of the park are covered with weeds, herbage and fields are in very poor condition. Visitors, who now are very few in Tskhaltubo, use only the baths area of the park. The rest of the area remains without function.

Under Imereti regional development strategy 2012-2017 Tskhaltubo rehabilitation and development is important not only from balneology point of view. Ministry of Regional Development and infrastructure included in the budget all the rehabilitation works. The works will be entrusted to municipal development fund.

The cost of works amounts to 38.2 mln GEL and includes:

- Tskhaltubo water supply and sewerage system rehabilitation;
- Circular water drainage system and pavement rehabilitation;
- Tskhaltubo “Tsvi” (cold) lake and central park roads, paths and drainage system rehabilitation;
- Landscaping and beautification of Tskhaltubo central park and “Tsvi” lake area and installation of irrigation system;
- Tskhaltubo “Tsvi” lake, and outgoing from the lake canals’ rehabilitation;
- Circular road, central park and “Tsvi” lake area street lighting rehabilitation;
- Construction of Tskhaltubo resort management office and small size touristic structures;
- Restoration of buildings and small footbridges in central part of Tskhaltubo.

All the works planned for 2012-2013 are agreed between the central and local governments, are based on the needs of streamlining the resort’s infrastructure and aimed at its further development. At this stage central part of the town, where hotels, medical and recreational facilities are located, are under rehabilitation.

In 2012 public review of Tskhaltubo central park rehabilitation project was held at a local government building. Both, government and local society representatives participated in the discussion. It should be noted, that after introducing the amendments, no information was spread about new public review of the project.

Public discussion focused mainly on the quality of Tskhaltubo medical water and the need to ascertain the debit volume. The specialists recommended to develop a complete plan for the use of water prior to starting rehabilitation process.

According to Tskhaltubo local government officials the rehabilitation process fully meets the requirements set by local

government. They state that the existing rehabilitation project is fully consistent with Tskhaltubo development plan.

According to David Chirgadze, deputy governor, heads of architectural and infrastructure departments of local government participated in working group both on project development and current stages. He also said that municipal development fund regularly provides information on current works to local government.

The resort rehabilitation process started before 2012 parliamentary elections. After the elections a number of changes were introduced in the project. According to municipal development fund defective and hastily prepared projects needed to be corrected, and some of them were totally changed on demand of new management. Drainage project was totally changed, because they deemed in the Fund that implementation of the existing project would entail contamination of thermal water. That was the reason why Municipal Development Fund suspended the project until the new one was designed. This extended the deadline for completion of works.

It should be mentioned that initial projects implied rehabilitation of only exteriors. New management, in agreement with local government corrected the project so that not only the exterior, but also the interior will be improved. These projects are currently being prepared and the works will probably be renewed next year.

It is noteworthy that all current projects aim at rehabilitation of existing infrastructure. Since 50-ies last century no full rehabilitation and repair of water supply and sewerage system took place. Now the system is fully replaced.

Water supply and sewerage system rehabilitation works are completed. The test run was held and the system is planned to start functioning in the end of October.

As for central park and "Tsivi" lake rehabilitation projects: in order to avoid gross interference in the landscape and to keep all the plants, it is planned to build only hardscape elements, golf course, tennis courts and recreation zones. Paths and play-fields will be arranged. Ornamental plants and flower beds will be planted. Only sapless and diseased plants will be cut. The above works have not yet started though, under the plan some of it should have been completed. Respectively, it is impossible to say now whether or not the works will damage the herbage.

The works in the vicinity of "Tsivi" lake have started. The lake has never been cleaned and large amount of silt has accumulated on its bottom. Currently the cleaning process with the use of special equipment is underway on completion of which recreation facilities will be placed around the lake.

Canals outcoming from the lake will be preserved to let water circulate around the park. It was important to keep the canals as their main function is to protect the town from the flood, and thermal water from contamination during rain.

### ***Problems related to the project deadlines***

Terms of the work in the resort rehabilitation process are violated. Municipal development fund explains the delay by financial plight of the contractors, caused by pressure from previous government. In particular, during pre-election period different governmental officials gave oral tasks to private companies to perform work without signing contracts, which had negative impact on their financial status.

According to the Fund representatives the contract with "Sani" Ltd on "Restoration of buildings and small size bridges in Tskhaltubo center" was terminated in July this year due to the failure of the contractor to finance the project works.

Failure of one contractor affects the work of the other one which, as a result, causes a general lag in the timing. E.g. "Green House" Ltd has signed a contract for the planting / landscaping and installation of irrigation systems in Central Park and "Tsivi" lake area but the works cannot be started until the rehabilitation of paths and bridges, and of drainage system are finished.

Tskhaltubo municipality also points to rainy spring and summer as the reason for the delay. According to them the rains created serious problems to the constructors.

### ***Environmental Issues***

In compliance with the Municipal Development Fund and the World Bank requirements the EMF (Environmental Management Framework) has been developed within the regional development second project (Imereti). The EMF includes environmental, cultural and social aspects. As rehabilitation works do not seem to damage the herbage, which would worsen Tskhaltubo landscape and/or any earthwork, and damage thermal waters, no serious environmental violations have been reported so far. For a certain period, due to the absence of contract with respective company, there were problems with the removal of leftovers which are settled by now. Ministry of Environment carries out regular monitoring and immediately responds to any violation.

### ***Complaints and responding to them***

July this year Tskhaltubo municipality applied to the Municipal Development Fund with a complaint on low speed of work, which interferes with the success of tourist season. The Municipal Development Fund responded that the

management had established strict control over the work progress and assigned its representatives for everyday monitoring. Weekly meetings with the constructors with the participation of municipal representatives are held to summarize the work done and to plan tasks for the following week.

## **Case Study – Road Rehabilitation in Adigeni**

Adigeni municipality has the worst infrastructure in Samtskhe-Javakheti region. In 2013 Adigeni municipality presented for financing eight projects at a total cost of 9.636.354 GEL to Ministry of Regional Development. Most of them are road rehabilitation projects.

Ministry of Regional Development and Infrastructure agreed to finance only three projects in 2013. Two of them have started whereas the fate of the third one is still not clear.

In accordance with the presented projects 292,616 GEL was requested for Otskhe river (in Abastumani) bank protection works; 2,010,362 GEL for Qvemo Entheli and Pkhero villages roads rehabilitation. It included asphaltting of 9 km stretch of road to the benefit of 4 villages; appropriation of 209,806 GEL was meant for rehabilitation of Bolajuri village drinking water; 866,771 GEL was requested for Tsarkhani road rehabilitation; 634,444 GEL - Varkhani and Khevasheni road rehabilitation; 2,514,724 GEL would be spent to repair Adigeni-Tsre-Patara Zanavi-Didi Zanavi-Gomaro road; 2,935,880 GEL – for Mlashe – Mokhi road rehabilitation; 171,751 GEL was requested for rehabilitation of drinking water of Chorchani territory villages.

The total value of the funded projects is 1,727,255 GEL. Financing of Adigeni-Tsre-Patara Zanavi-Didi Zanavi-Gomaro road rehabilitation at 902,120 GEL, Varkhani-Khevasheni-Nakurdevi road rehabilitation at 559,500 GEL, and Bolajuri village drinking water rehabilitation at 213,335 GEL was approved under Resolution #1085 of 19 August. Besides, 52,300 GEL was allocated for design work .

Agreement on rehabilitation of Varkhani-Khevasheni-Nakurdevi road was signed with “Astoria” Ltd on 12 September. Asphaltting is due to be completed by the end of October.

Signing of agreement with the company to rehabilitate Bolajuri village drinking water network is planned for 10 October. Tender was announced for this project and the winner was identified on 26 September. The locals added 20.084 GEL from “village support program” to the sum allocated by the Ministry.

Agreement on Adigeni-Tsre-Patara Zanavi-Didi Zanavi-Gomaro road rehabilitation have not been signed till late of October, due to the disputable tender.

### ***The tender that became the subject of dispute***

Two companies – “Effect” Ltd and “Astoria” Ltd – participated in the tender. As they explain at local council “Effect” Ltd won the tender by offering lower cost. But, due to some uncertainties with qualification data, it was decided to sign contract with “Astoria” Ltd. Head of “Effect” Ltd filed a complaint with the Public Procurement Agency and the tender was suspended.

According to finance service of Adigeni municipal council the tender was held on 15 August and “Effect” Ltd won it by offering the lowest cost. The company was requested to present experience proving qualification data within 3 days, as provided by legislation. In a letter to this company it was mentioned that failure to present the qualification data would entail their disqualification. So it happened and the invitation was sent to the other contender.

The “Effect” Ltd leadership decided that qualification data requirement did not refer to them due to the absence of three years experience. Public Procurement Agency, as a result of consideration of the complaint decided in favor of “Effect” Ltd and this decision was officially received by Adigeni municipal council on 23 September. Respectively “Effect” Ltd was requested to present the updated estimates. The tender conditions imply that “Effect” Ltd should pave 23 400 m<sup>2</sup> roads at the price of 824 986 GEL.

### ***Lack of Roads and Social Problems***

As a result of postponement the project may fail to be implemented this year. Road works in the winter, according to municipal council, are impossible.

The same was stated at the infrastructure department of Ministry of Regional Development and Infrastructure. They claim to have full information about tender problem in Adigeni. But they correctly state that it is within the competence of the Public Procurement Agency and the Ministry cannot interfere, though it caused suspension of procedures and the delay of the project . According to the Ministry, if the agreement is not signed in timely manner, asphaltting in the winter time will not be permitted: “The Ministry’s top priority is the quality. We cannot allow asphaltting in winter time. The only thing that can be done is that Ministry of Finance and also we, allow the project be extended to two years”.

It should be noted that Adigeni mountainous villages, where road works were planned, are inaccessible and, often, cut from the center in winter period. “Our major problem is the road, which is so damaged that passenger cars cannot reach the village. Now the snow will fall and the road will be blocked” – says Guguli Khozrevanidze, Patara Zanavi villager. Didi Zanavi villager Amiran Khozrevanidze also talks about the importance of the roads for the village: “The key issue is the road and its repair. Otherwise it is so potholed that soon will become unpassable not only in winter but also in summer”. Presumably, three villages will remain off the road for one more year. And if it is still decided to start project implementation this year, its quality will be called in question.

## **Case Study - Tetrtskaro Streets Rehabilitation Project**

### ***Background information***

In August-September 2013 monitoring of an infrastructural project in Tetrtskaro – rehabilitation/asphalting of 7 streets and installation of rain-gutters. The project is in full conformity with the regional development strategy, it was financed by the Fund of Regional Development projects, and procurements were carried out by local government. The total cost of the project is 993,632.26 GEL (project documentation – 3750 GEL, Kazbegi and 9 Dzmis streets – 16592.45 GEL, and the other 6 streets – 973,294.81 GEL.)

It should be mentioned that these streets never met the requirements of urban infrastructure and the need for rehabilitation was very urgent.

### ***Access to project related information***

Despite the increased public interest to the project, the local population and stakeholders were not informed about it in pre-project period. Moreover, water supply company local office was not informed either, which indicates to the lack of interdepartmental communication.

Lack of information created the following problems:

1. The citizens, whose houses were not connected to the water-supply system had to find money within shortest time to be able to connect to the network. Proceeding from the general situation in the country many of them could not find financing and illegally connected to the system. Unskilled connection (or the existence of non-connected houses) to the water supply system increases the risk of possible damages. It also increases the possibility that newly repaired segments of the road are again excavated.
2. Tetrtskaro office of united water supply company does not have the necessary equipment and materials to connect new users to the system. It is subordinate to the Bolnisi respective office. As a result it had to connect new users who had paid the service in extreme situation.

### ***Project Implementation Timeframes***

Dates of beginning and finishing the project are officially unknown. Tender on procurement of project documentation was announced by Tetrtskaro local government on 29 April 2013. The completion date according to the contract, signed with constructing company, is 21 October 2013. Acceptance reports for each street were signed on 1 October 2013. At the same time head of Tetrtskaro self-government (Chairman of the Council George Mestvirishvili) signs protocol of agreement with the company that performs the work on 18 October. Article 3 of this protocol provides for the completion date of 9 November 2013. It is not clear why local government agreed to accept incomplete work. On-site inspection showed that some of the works have not been completed.

### ***Public participation***

It should be noted that Ministry of Regional Development and Infrastructure demanded that local government gives out the requested public information (in compliance with administrative deadlines). Local government, though in violation of administrative deadlines, finally gave out the information.

Later it turned out that the information had already been posted on Public Procurement Agency’s webpage.

Regrettably project developer did not bother to hold public discussion of the project, which would enable the local population to be involved in the planning on early stage. This would enable to better plan the schemes of rain-gutters and pavements.

At the same time the project consumer (local government) was obliged to observe one of the basic principles of the regional development strategy – participation principle – which implies “a public process of planning, adoption, implementation and monitoring of the regional development strategy, inclusion of citizens, stakeholders, organizations and social groups in this process”. Tetrtskaro example showed that this principle was grossly violated.

### **Public procurements for the rehabilitation project**

Simplified e-tender for the procurement of design and estimate documentation was announced on 29 April 2013. Three entities participated in the tender: “VNV and Co.”, LMC Company and “Arish” Company. “Arish” was selected as a result of tender. Tetrtskaro local government signed the agreement in the amount of 3750 GEL with Arish Company. Tender commission disregarded lack of experience and professionalism of the Company, which became evident during project implementation.

“Arish” Company has experience of successful participation in tenders announced by Tetrtskaro municipality. The Company founded on 13 February 2013 is the only participant of tender announced on 15 March and wins it. Then it wins 18 April tender etc. However “Arish” Ltd. fails to receive government contracts from other municipalities.

In each case, according to tender requirements, the company was obliged to present documents proving the experience in this field: “The contender shall prove to have the experience of designing project documents and estimates, for which it shall present: information on previous experience of similar work (designing project documentation and estimates) in accordance with attachment #2, to be signed and sealed (provided the entity has the seal) by the head of the entity” . Tetrtskaro government signed an agreement with the company without seeing the documents requested. Such a document, for each particular case, when “Arish” company won the tender, cannot be found on Competition and Public Procurement Agency webpage.

It is also noteworthy that project documentation by “Arish” company was designed unprofessionally. E.g. according to project documentation “the construction period is 80 months” . At the same time rehabilitation works of each street took 1-1.5 months. Besides, one of the paragraphs of the same document, titled “general specifications”, provides that “Kutaisi belongs to 8-point intensity seismic zone”. These “random” errors indicate that Tetrtskaro project, costing the government 3750 GEL, was a copy-paste of one of Kutaisi projects.

As provided in project documentation СНиП 3.06.03-85 standard had been selected for rehabilitation projects. This standard is designed for the construction of highways, not of municipal roads.

However, even the above standard was violated during the design. The standard implies impregnation of core sand and gravel layer with special emulsion and then tow asphalt-concrete layers over it, which was not included in project documentation.

According to construction regulations and norms second asphalt layer is necessary in the climatic zones where the cold temperature lasts for quite a long time. Tetrtskaro is located precisely in such a severe climate zone. However, it is not reflected in the project.

With a reasonable design, the system of rain-gutters should have the ducts and collectors. This is not the case with Tetrtskaro. The collector of Tskhra Dzmis, Garsi and Demetrashvili streets (parallel streets) should be designed in Mshvidobis St, which is perpendicular to them. But old and amortized rain-gutter in Mshvidobis St. is full of earth and water, flowing from the above three streets, cannot pass. Despite urgent need, rehabilitation of this gutter had not been designed and, respectively not performed. This will result in pouring of water into Mshvidobis St, damaging the asphalt cover, as well as homes there.

### **Quality of Work**

It should be noted that the work performed does not correspond to the design data. In particular, metal grid was designed over the entire water-gutter length but they are put only in front of homes. Dimensions and shape also do not correspond to the design. Respectively their lifetime is very short – the grids will be overloaded and will soon collapse.

As a result of rehabilitation, Leselidze and Tskhra Dzmis streets were leveled-up, and the courtyards of the households proved lower than street asphalt. As a result water, instead of the gutters, falls into households. Another fault is that water drainage network was arranged after the asphalt had been laid.

Tetrtskaro municipality fully depends on the central budget (subsidized), and respectively local population’s expectations regarding any new project are very high. This project not only did not live up to their expectations but killed the hope for future reasonable rehabilitation, because new financing will not be allocated in the near future.

As a result of rehabilitation of Tetrtskaro streets:

1. Due to incorrect selection of construction standard, not urban streets but roads were laid: infrastructure, typical of urban settlement was not created. Pavements for pedestrians were not laid. Moreover, excess earth was not removed from pavements territory.
2. Asphalt cover is in the middle of the street and is so narrow, that cars can hardly pass each other.

3. Before applying asphalt the layer of earth mixed with dirt was not removed (as provided in the project) and the street leveled up significantly.
4. Only one layer of asphalt was laid and its service life cannot be long in the harsh climate.
5. Prior to applying asphalt, the lower layer was not impregnated with special emulsion.
6. Rain-gutters were installed incorrectly. Metal grid over them are poor quality and their lifetime is very short.
7. Storm drain collectors were not installed.
8. The existing amortized drains were not repaired and connected to new drains.
9. Road signs are not installed, streets are not marked in accordance with traffic rules.
10. There is deficient work and the money spent is not adequate to the results.

Information about the project was not disseminated on its early stage, the public had no opportunity to participate in the process or influence it.

## **Conclusion:**

Georgia would gain a lot through experience sharing from the EU countries regarding the implementation of both subsidiarity as well as partnership principle, especially in context of the regional development strategy implementation, that from one side would support development of capacities of local authorities and civil society organisations, and from another side increase the efficiency and transparency of the projects in the field of regional and agricultural development. It would also contribute to strengthening of the local self governance, the implementation of European Charter of self governance and the recommendations of the Council of Europe. .

Simultaneously, it is important that the development processes in the country comply with the general planning system. From that point of view, the regional development strategy and regional development action plans are the step forwards towards sustainable development

## **Recommendations**

- Georgia should elaborate the sustainable development strategy, as it required by the ENP Action Plan, in order to ensure integration of environmental and social issues in economic sectors.
- Ministry of Environment shall immediately start working to develop the environmental impact assessment law on the basis of EU directives and the world best practices
- Until the development of full-fledged environmental impact assessment legislation Ministry of Environment, together with the Ministry of Infrastructure should develop and approve in the shortest possible time environmental technical regulations for road rehabilitation works.
- Parliament of Georgia, in an accelerated manner, shall adopt draft law “On the creation and management of monuments of nature”, under which 100 entities listed in the document, approved by a special government committee already in 2010, will enjoy the status of the monument of nature.
- To start preparing of the country’s aggregate energy balance reflecting supply of all types of energy carriers (electricity, natural gas, liquid gas, carbon products, coal, firewood etc.) and energy consumption of different economic sectors and the population. This will enable definition of the energy policy and strategic energy plans;
- To immediately start preparing of the legislative package, including the financial action plan on renewable energy and energy efficiency with the participation of experts and the public, as it is required by ENP Action Plan.
- To develop with broad public involvement the national strategy of development of Georgian energy sector; The strategy should include all realistic alternatives (including small hydro systems, wind and solar energy, biomass), in order to select the smoothest, most optimal option for Georgia’s nature and its population, as it

is recommended by the World Commission on Dams;

- Announce the moratorium on the construction of those Hydropower plants that involves involuntary resettlement of thousands of people and elaborate socially and environmentally acceptable alternatives
- During implementation of infrastructural projects the participation principle – one of the key regional development strategy principles should be ensured. That would enable the public to participate in project design on its early stage and increase its transparency and efficiency.
- It is important that central government constantly and actually monitors the quality of project activities and the results of the monitoring are available to the public. The monitoring shall cover the period from the tender announcement to signing the acceptance report and shall not be a mere formality.
- The capacity building of local self authorities and Civil Society Organisations through trainings and seminars is important, in order to ensure active and informed participation of local people in decision making processes.
- The Ministry of Regional Development, the Municipal Development Fund and other relevant agencies should ensure proactive information provision to the media and civil society regarding the ongoing projects, including amendments and problems occurred during implementation.

Association Green Alternative is a non-governmental, non-profit organization founded in 2000. The mission of Green Alternative is to protect the environment, biological and cultural heritage of Georgia through promoting economically sound and socially acceptable alternatives, establishing the principles of environmental and social justice and upholding public access to information and decision-making processes.

We organize our work around six thematic and five cross-cutting areas. Thematic priority areas include: energy – extractive industry – climate change; transport sector and environment; privatization and environment; biodiversity conservation; waste management; water management. Cross-cutting priority areas include: environmental governance; public access to information, decision-making and justice; instruments for environmental management and sustainable development; European Neighbourhood Policy, monitoring of the lending of the international financial institutions and international financial flow in Georgia.

Green Alternative cooperates with non-governmental organizations both inside and outside Georgia. In 2001 Green Alternative, along with other local and international non-governmental organizations, founded a network of observers devoted to monitoring of development of a poverty reduction strategy in Georgia. Since 2002 Green Alternative has been monitoring implementation of the Baku-Tbilisi-Ceyhan oil pipeline project, its compliance with the policies and guidelines of the international financial institutions, the project's impacts on the local population and the environment. Since 2005 the organization has been a member of the Monitoring Coalition of the ENP (European Neighbourhood Policy) Action Plan. In 2006 Green Alternative founded an independent forest monitoring network. Since establishment Green Alternative is a member of CEE Bankwatch Network - one of the strongest networks of environmental NGOs in Central and Eastern Europe. Green Alternative closely cooperates with various international and national organizations and networks working on environmental, social and human rights issues; Green Alternative is a member of the Coalition Transparent Foreign Aid to Georgia founded in 2008. In 2010 Georgian Green Network was established on the initiative of Green Alternative. This is informal association of civil society organizations and experts dedicated to protecting environment, promoting sustainable development and fostering principles of environmental and social justice in Georgia.

In 2004 Green Alternative received the Goldman Environmental Prize as the recognition of organization's incredible work for environmental protection, social justice and equity.

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