

Green Alternative's Policy Briefs are short analyses on some of the challenges to country's sustainable development. They are part of the broader Green Alternative's analytical works; some complement or summarize reports, while others combine analysis from the research with consultation around a pressing issue. The purpose is to convey urgent public policy problems and promote debate on courses of action to resolve them.

This policy brief is intended for public policy makers and practitioners; it will also be useful for those groups and individuals seeking to influence the policymaking processes.

This policy brief is also available in Georgian.

THE IMPACT OF ECONOMIC DEVELOPMENT AND ENVIRONMENTAL POLICIES ON LAND

Introduction

Land is the source of our life. Land is part of the ecosystem, natural environment on which we, people, and other species living on earth depend vitally. The state of other elements of the environment (water, air) depends on the land robustness, and vice versa - air and water quality determine the state of the land. We grow food on the land and our food security depends on the land. Land is our income source - we sell agricultural products thus increasing our wealth. Land is part of human's cultural identity; land has social, historical, religious importance for man. Land is the basis for any sector of economy - it is the basis of spatial planning and the production resource in case of agriculture. Finally, land is a property; like any commodity, it can be traded, encumbered with bundle of rights and benefit to the owner.

Humans are inextricably linked with the land and thus it needs to be protected, and its potentials - used efficiently so that it is able to provide ecosystem services. There are several important factors influencing ecosystem services provided by land¹:

- *Population growth and migration* - in some areas the impact on the land is growing due to high birth rates or/and migration (e.g. migration to towns from rural areas); and in other places the pressure on the land is reducing (e.g. due to abandonment of rural areas);
- *Economic growth and affluence* - economic growth promotes the development of commercial, industrial and services activities; this, in its turn, increases the demand for construction and the land take. Growth in household affluence leads to increased demand for food and land-based products, as well as for larger homes and second homes;
- *Markets and trade* – food consumption and food production directly affect agricultural practices, and hence, the land;
- *Technology* - have different effects on the sectors related to land; e.g. technological changes influence infrastructure design and hence the land it occupies. Similarly, changes in agricultural technologies and methods applied have direct effect on land;
- *Awareness* - culture and lifestyle influences where people wish to live and consumption pattern; awareness influences the consumer's stereotypes and hence the land;
- *Policies* - policies in different areas affect the land.

This policy brief reviews the latter in the list - policy impact on the land. A country's policies in different sectors of economy can have direct or indirect, positive or adverse impact on the land. The table below lists the types of impacts on the land (and soil). A sector policy may cause one or several impacts simultaneously listed in the table.

¹ European Environment Agency, 2016. *The direct and indirect impacts of EU policies on land* (EEA Report # 8/2016); available at: <http://www.eea.europa.eu/publications/impacts-of-eu-policies-on-land>

Table 1. Types of policy impact on land

Negative impacts	Positive impacts
<ul style="list-style-type: none"> • Land take • Land fragmentation • Urban sprawl • Soil sealing • Soil pollution • Loss of soil organic matter and reduction of soil water retention 	<ul style="list-style-type: none"> • Reduced land take and land degradation • Reduced land fragmentation • Compact urban development • Recovery of degraded land • Land recovery / rehabilitation • Protection and restoration of soil (through protected areas) • Soil decontamination • Reduced soil erosion and pollution • Maintenance of soil organic matter levels • Decreased soil erosion

This policy paper reviews potential impact that the priorities declared in Georgian policy documents may have on land, and whether land issues are integrated in policy documents². First, the paper gives a brief overview of the shortcomings in current policy planning. Further, the impact of policies on land is reviewed in the following five areas:

- Sectoral policy - focusing on energy, agriculture and transport sectors;
- Investment policy;
- Instruments for integration of land issues in policies;
- Environmental policy, and
- Monitoring and assessment of policy implementation.

In the end, conclusions and recommendations for reduction of policy impacts on land are provided.

1. Policy planning system in Georgia

In 2015, with coordination of Georgian Government administration, policy planning current system was assessed within the framework of public administration reform. As a result, the problems were revealed, and three year strategy of its improvement - Reform strategy of policy planning system 2015-2017 (further referred as "reform strategy")³- was developed. According to the document, policy planning system has not been established in Georgia. Below, some of the problem issues are listed:

- The legislation regulates the development of the following planning documents: Government program, annual action plan of the Government, plan of the government's legislative activity, international agreement, document on key data and main directions of the country, and National Budget; Besides using these instruments in planning, the established practice is the development of sectoral strategy and action plan. At the same time the law does not explain what are the links between these planning instruments, their hierarchy and interrelation. There is no regulation to define the areas and stages of policy planning.
- The law does not define methodology of policy planning, periodicity of developing and updating; hence, the policy documents are not uniform; their quality does not meet the requirement of international practices.
- The policy implementation monitoring, reporting and evaluation systems are extremely weak; it is impossible to ascertain and assess the specific outcomes of policy implementation and if policy objectives have been achieved.
- Public involvement in the development, implementation, monitoring and assessment of policy documents is very limited.

As becomes clear from the above, policy planning system in Georgia is not uniform and is still in the process of formation. Still, we can assess direct and indirect impacts can current policies have on the land.

² The assessment methodology used in this paper is adapted from the report: *The direct and indirect impacts of EU policies on land* (EEA Report # 8/2016), published by the European Environment Agency in May 2016. The report is available at: <http://www.eea.europa.eu/publications/impacts-of-eu-policies-on-land>

³ Approved under the Order No. 186 of 18 April 2016 of the Government of Georgia "On amendments to the Order No. 427 of 19 August 2015 of the Government of Georgia "; available at: <https://matsne.gov.ge/ka/document/view/3259832>

2. Impact of sectoral policy on land

The public policy in one or another sector may be declared both, in the policy document for a particular sector, and more generally, in the “higher” documents, determining the objectives and priorities of [sustainable] development of the country.

Pursuant to the reform strategy, mentioned in the previous chapter, there is no instrument in Georgia to determine comprehensive long-term vision of country’s development. However, there is another document, deemed by Georgian Government a policy document, determining the development directions. It is ***Social-economic development strategy of Georgia 2020***⁴ adopted in 2014. The Strategy contains so called “horizontal” actions of economic policy and defines priorities for relevant ministries.

Below are the objectives and priority approaches declared in the strategy that will have direct or indirect impact on the land:

- Encourage direct foreign investments aiming at introduction and implementation of new technologies. Especially those focused on environmental protection and resource sparing, and development of green economy;
- Attract environmental investments to facilitate introduction of energy saving, environment-friendly modern technologies;
- Promote the growth of energy efficiency;
- Implementation of energy projects, the development of local resources, taking into account the possible impact of each project on the ambient environment;
- Taking into account environment impact factors and adverse impact of global warming on country’s economy when planning and developing infrastructural projects;
- Establishment of mechanisms for transition to river basin management models;
- Reducing the use of natural resources for heating and combustion;
- Introduction of the practices of protection and rational use of forest resources
- Natural disasters risk reduction, the elimination of the negative effects of disasters;
- The construction of new sanitary landfills and pickup stations compliant to environmental and technical standards.

The Social-economic development strategy of Georgia 2020 contains the priorities, which may entail significant adverse impact on the land. These will be reviewed below when talking about transport sector priorities.

There are two more documents, defining so called “horizontal” actions and priorities of specific sectors. These are: (1) “The state strategy for regional development of Georgia 2010-2017”⁵ and (2) “Regional Development Program of Georgia 2015-2017”⁶ adopted in 2014.

According to ***The State Strategy for Regional Development of Georgia 2010-2017***, it sets “basic principles, objectives and goals of regional development of Georgia and establishes the terms for ensuring sustainable development of the country”. Below is the list of priority directions, which may adversely affect the land, since they require the development of natural resources, including the land or/and cause significant emissions into the environment (cause earth pollution). These are:

- Development of infrastructure for water supply and waste water management, and rehabilitation of the existing system;
- Development of transport system;
- Development of tourism and tourist infrastructure in the regions;
- The maximum development of the wind energy potential;
- Development of biomass and biogas sectors;
- Maximum use of solar energy.

Though wind- and solar energy are renewable energy sources, and it is believed that the use of this energy is more acceptable in terms of environment protection (e.g. as compared to fossil fuel); but in this case crucial is the extent of the use - the impact on the ground of one wind turbine or a solar panel located on the roof of a building is much lower than that of wind or solar farms. Similarly, the scale of impact on the land of getting energy from biomass for domestic use and industrial production of biofuel are absolutely different.

A separate chapter in the strategy is devoted to environmental issues (together with agriculture and tourism). The priority directions, outlined there, may have direct positive impact on the land. For example:

- The Development of forest inventory and efficient management plan;

⁴ Approved under Georgian Government Order #400 of 17 June 2014; Available at: <https://matsne.gov.ge/ka/document/view/2373855>

⁵ Approved under Georgian Government Order No. 172 of 9 July 2010. Available at <https://matsne.gov.ge/ka/document/view/1025719>

⁶ Approved under Georgian Government Order No. 1215 of 9 July 2014. Available at: http://gov.ge/files/381_43284_894609_1215.pdf; the program: http://gov.ge/files/381_43285_728272_1215-1.pdf

- Implementation of rehabilitation and adaptation activities to improve forest quality;
- Breeding of target forest plantations without jeopardizing biodiversity and agriculture;
- Rehabilitation of windbreaks and planting new ones;
- Implementation of the protected areas' support zones projects in order to create an alternative source of income;
- Development of plans of effective use of local water resources;
- Stage by stage introduction of river basin management elements;
- Development of a system of continuous monitoring of rivers pollution;
- Stricter requirements for the construction and operation of wastewater treatment facilities.
- Development of Action Plan for effective use of groundwater;
- Support of the production of traditional and endemic crops;
- Development of standards of operation of agricultural land;
- Monitoring of especially vulnerable land, planning and implementation of rehabilitation and adaptation activities therein.

The strategy also provides for the activities, not immediately linked with the land, but may have indirect positive impact on it. These are:

- Stimulating the innovations and support of the establishment of innovation centers;
- Stimulating direct foreign investments to the regions - encouraging advanced technologies and knowledge transfer, investment and re-investment in the research and development activities, development of human resources.

It is implied that the above activities shall support the introduction of resource-effective and environment-friendly technologies in Georgia that would have positive impact on the land.

Regional Development Program of Georgia 2015-2017 adopted in 2014 also *“sets basic objectives and goals of Georgia’s regional policy, appropriate priorities and activities, and defines the needs for safeguarding balanced and sustainable social and economic development of the regions “.*

As the document states, its three year program is based on The state strategy for regional development of Georgia 2010-2017, but the latter was adopted in 2010; as a result of 2012 Parliamentary elections in Georgia new political force came to power, *“followed by significant correction of the state policy both on general level... and regarding specific sectors and fields”.* These, and some other reasons led to the need for developing *“the program best possibly fitting in the new realities and conforming with the EU standards”.*

Below is the list of priority activities under the program, that might have adverse impact on the land. These are:

- Construction and rehabilitation of the roads of international and national importance;
- Construction of regional landfills and transfer stations;
- Rehabilitation and construction of new sewage and wastewater treatment intakes;
- Tourist infrastructure development
- Support the development of small and medium business and job opportunities - government program “Produce in Georgia” (also see below);
- Support to launching and expanding businesses in different economy sectors (Paper and cardboard, construction materials and textile manufacturing, wood processing, production of electrical equipment and machinery, etc.).

The final goal of the two, out of the above, priorities (regarding landfills, and sewage wastewater treatment) is to reduce adverse impact on the environment and human health; however, on the other hand, the very implementation of these projects may cause significant negative impact on the land.

The Program also provides for the priorities that will positively affect the land. These are:

- Management of polluted old industrial sites;
- Forest inventory and implementation of sustainable forest strategy;
- Upgrading amelioration system;
- Introduction and spread of new and innovative agricultural technologies;
- Agro-bio-diversity protection and support.

As mentioned in the beginning of this paper, we will focus on the policy in energy, transport and agricultural sectors. So, below is the review of the policies in these sectors.

Energy sector

Energy sector policy is governed by *Basic Directions of National Policy in Georgian Energy Sector*, adopted in 2015⁷. Below are the directions of energy policy under this instrument, directly affecting the land. These are:

- Diversification of oil, natural gas and electricity supply sources;
- Efficient exploration of local energy potential;
- Full facilitation of search and exploration of the potential natural resource - natural gas, oil and coal - reserves and their rational utilization
- Meeting electricity demand in the country by own energy resources;
- Utilization of Georgia's renewable energy resources - wind, solar, biomass and geothermal resources;
- Development of appropriate systemic and intersystem infrastructure;
- Development of energy trade between Georgia and EU countries;
- Strengthen Georgia's importance as a transit route in the region - strengthen its role in carrying out East-West and North-South transit projects;
- Enable the country to become a regional platform for clean energy trade (hydro resources and other renewable resources); appropriate infrastructure development;
- Updating and rehabilitation of energy transmission and distributing systems.

As becomes evident from the list, the document, among other issues, focuses on supporting energy efficiency; and development of renewable resources along with traditional ones. Though, it should be mentioned that by "renewable energy resources" Georgian government first of all means hydro-resources, and by "renewable energy" - hydro power stations of any capacity, and large dams hydro power plants (e.g. Khudoni-HPP and Nenskra HPP in Zemo Svaneti, Namakhvani HPP cascade in Racha-Lechkumi and Qvemo Svaneti, HPP cascades in Ajara). Hydropower plants with large dams are known to lead to flooding of areas; besides, they contribute to the emergence and intensification of erosion processes. So, such projects have major adverse impact on the land.

It is noteworthy that a whole paragraph in energy policy document is devoted entirely to environmental issues. This paragraph, (so called "direction") titled: "Taking into account aspects of environmental protection during implementation of energy projects" states as follows:

"For energy infrastructure projects with large-scale social and environmental impacts, including large hydro power plants, it is important to follow best international practices, which include environmental and social impact analyses, consultations with the local communities and making all information publicly accessible".

The existence of such commitments in a policy document is, undoubtedly, commendable; the more so given the fact that EIA system in Georgia is very weak and, virtually ignores social impacts, as well as holding public consultations, especially with project-affected communities. At the same time, without diminishing the importance of this commitment, it should be noted that it is rather a procedural one; it is not an immediate guarantee of that "for energy projects environmental aspects will be taken into account" (as declared in the title). Social and environmental impacts may be assessed, consultations held, but none of the results be taken into account when making final decision, which may turn out harmful to the environment.

The commitments to consider environmental aspects (including the land) when planning energy projects would look realistic if the above paragraph contained, alongside with procedural commitments, substantial commitments, e.g. "the priority will be given to projects (or the alternatives when designing the project) that will not significantly affect the environment and human health", or "... that will not cause inundation of land and involuntary resettlement ", etc.

Transport sector

In contrast with energy sector, the country has no national policy document in transport sector⁸. Still, this sector has intensively developed during recent decade, and a significant portion of the state and donor funding is directed to the transport sector. In the absence of policy document, it still is possible to have an idea about the sector priorities from the policy documents, already mentioned above, in particular:

Pursuant to *Social-economic development strategy of Georgia - 2020* the priorities in transport sector are:

- Integration in international and regional transport systems;
- Increasing development of transport system capacity (road, roadside, railway and port infrastructure, the reconstruction of airports and the construction of cargo terminals, logistical centers, etc.);

⁷ Georgian Parliament Resolution of 24 June 2015 "On basic directions of Georgia's energy policy". available at: <https://matsne.gov.ge/ka/document/view/2894951>

⁸ In 2014, with financial aid of Asian Development bank (750 thousand USD), the development of national policy/strategy document in transport sector, and its action plan started. The source: <http://www.economy.ge/ge/media/news/sagartvelos-transportis-ganvitarebis-strategiaze-musaoba-daiwyo>). To date no policy/strategy paper or action plan has been published; unclear are the government's plans in this regard.

- Completion of the East-West Highway and the Baku-Tbilisi-Kars railway line;
- Development of an international airport in Kutaisi (lengthening the runway and building cargo terminals);
- Implementation of the project of a deep-water port in Anaklia;
- Development of relevant infrastructure which will meet international standards as well as that of multimodal and intermodal shipping operations;
- Connection of Georgian transit corridors with main trans-European transportation routes;
- Development of national and local road infrastructure.

Under the *State Strategy for Regional Development of Georgia 2010-2017*, adopted in 2010, the priorities are:

- The development of road and rail-road connections between the regions;
- The development of infrastructure for internal flights in mountainous regions;
- The development of cable transport in tourist zones;
- The extension of the railway, ferry and container multimodal terminals and the involvement of additional capacity at the sea-ports.

Top priority of regional development program 2015-2017, adopted in 2014 is also the construction and rehabilitation of international and internal roads.

Alongside the above mentioned, there is another document listing specific transport projects of priority. It is Georgian Government's Order #655 of April 15, 2016⁹ that approves large-scale transport projects (10 - current, and 22 - planned); under the document these projects are given the status of "particular state and social importance".

The priorities set out in all the above mentioned documents, will have major adverse impact on the land. And only one general phrase in the first document, mentioning "the importance of carrying out proper environmental impact assessments during the process of building and developing the country's infrastructure (transport, energy, logistical or agricultural) in order to avoid damage to the environment", is supposed to balance the situation.

Agriculture sector

*The strategy for agricultural development in Georgia 2015-2020*¹⁰ adopted by Georgian Government in 2015 allows for a judgment on main directions of agricultural policy of the country. The priorities are set out in this paper that will have direct or indirect positive impact on the land. These are:

- Improved farmer knowledge;
- Rational management of available land assets;
- The development of a Strategy and Action Plan of land consolidation;
- The introduction of a geo-information system
- The Improvement of irrigation and drainage systems;
- Planning and implementation of the rehabilitation measures soils under agriculturally used areas;
- The improvement of degraded soil fertility;
- The wind breaks recovery.

Separate chapter in the strategy is devoted to the priority directions in "Climate Change, Environment and Biodiversity". This direction provides for the following arrangements that will have direct positive impact on the land. These are:

The crop rotation for soil structure and quality improvement and promoting low level or appropriate chemical applications;

- Carrying out the activities supporting bioorganic production;
- The creation of a gene bank for the conservation of agro-diversity and endemic species;
- The development and implementation of plant and livestock conservation strategy;
- The promotion of climate smart agriculture (CSA) practices.

The strategy also contains the priority actions that may result in major negative impact on the land, such as: construction and rehabilitation of water reservoirs for irrigation, and arrangement and exploitation of infrastructure for warehouses and cold storage facilities for primary and processed products and logistics.

⁹ Available at: http://gov.ge/files/438_55408_201255_655.pdf

¹⁰ Approved under Georgian Government Order #167 of 11 February 2015; Available at: <https://matsne.gov.ge/ka/document/view/2733545>

3. The investments policy and financial instruments

Investment policy

There is no official document in Georgia to define the country's investment policy. And this at a time when there are three state funds and two state agencies focused on attracting and supporting private investments in different sectors of economy. Currently, the following are functioning in the country:

- **The Partnership Fund**¹¹ - a state owned investment fund, established in 2011. The fund's main objective is *"to promote investment in Georgia by providing co-financing (equity, mezzanine, etc.) in projects at their initial stage of development"*. The Fund's portfolio includes several implemented or under implementation projects with a total value of over USD 1 billion. The basic principle of investment is commercial viability of a project. The Fund supports projects in *"priority sectors of Georgian economy as they are largely untapped and have great potential for further development - energy, agriculture, manufacturing, real estate/tourism and logistics/infrastructure"*.
- **Georgian Energy development fund**¹² - state investment fund - a stock company under complete state ownership. The fund was founded in 2010 by Ministry of Economy and Sustainable Development, and passed to the Ministry of Energy of Georgia with management rights. The fund has eight subsidiary energy companies with various equity participation¹³. *"The main goals of Fund are search for perspective projects of renewable energy sources and promotion of their development"*.
- **Municipal Development Fund of Georgia**¹⁴ - a legal entity of public law founded by Georgian government in 1997. The Fund is supervised by Ministry of Regional Development and Infrastructure. One of the objectives of the fund is *"to support investments in local (municipal) infrastructure and services of state and social importance"*.
- **Georgian National Investment Agency**¹⁵ - the agency is a legal entity of public law¹⁶ established under the law in 2002. The agency is representing Georgian Government in supporting the investments¹⁷, and its activities are supervised by Georgian government. Among the Agency functions are: promoting and facilitating foreign direct investment in Georgia, playing a moderator's role between investors, Government and local companies, monitoring the investments related activities of governmental agencies¹⁸.
- **Entrepreneurship Development Agency**¹⁹ - a legal entity of public law was established in March 2014 under the Ministry of Economy and Sustainable Development. The Agency is implementing a state program "Produce in Georgia" (see below). Among the functions of the Agency is *"to provide SMEs with access to finance via different schemes (interest rate financing, collateral insurance, grants, etc.)"*.

An important player in the investment sector is the **Co-investment Fund**²⁰. Though a private fund, it all the same deserves the attention as was founded under the initiative and financial support of Bidzina Ivanishvili, then Prime-Minister of Georgia, to attract direct foreign investment to Georgia²¹. Among priority sectors of the fund are: hydro energy, manufacturing, tourism, logistics and agriculture.

As is clear from the above a number of institutions in Georgia are supporting the investments and/or are investing (including in the same sectors), but there is no general national policy to establish the objectives, goals, needs and priorities; and also, to reflect environmental problems in general, and, in particular, those of the land.

For the priority sectors selected for this review the government has no approved investment policy; however, in contrast with agriculture and transport sectors, it is possible to judge about the investment policy in energy sector on the basis of information on the Ministry of Energy web-page. In particular, "the investor page" contains investments priority directions and even perspective projects. According to the web-page information:

¹¹ The fund's web-site: <http://www.fund.ge/>

¹² The fund's web-site: <http://gedf.com.ge/>

¹³ "Namakhvani" SC - 100%, "Kartly wind power plant" Ltd. - 78,58%, "Darialienergy" SC - 23,08%, "Geohydro" SC - 15%, "Artanalopota" Ltd. - 20%, "Kvirila HPP" Ltd. - 20%, "Chalik Georgia Wind" SC - 15%, "Supsa energy" SC - 20%. the source: <http://bit.ly/2e9TGS2>

¹⁴ The fund's web-site: <http://mdf.org.ge/>

¹⁵ The agency's web-site: <http://www.investinggeorgia.org/en/>

¹⁶ The agency was founded under 19 June, 2002 law "On National Investment Agency of Georgia". This law was replaced in 2015 by the law under the same title, dated 4 March 2015.

¹⁷ The law of Georgia of 30 June 2006, available at: <https://matsne.gov.ge/ka/document/view/24076?publication=6>

¹⁸ The law of Georgia of 4 March 2015, available at: <https://matsne.gov.ge/ka/document/view/2763422>

¹⁹ The agency's web-page: <http://enterprisegeorgia.gov.ge/>

²⁰ The fund's web-page: <http://www.gcfund.ge/>

²¹ Civil Georgia, 30 September, 2013: <http://www.civil.ge/geo/article.php?id=27385>

- **The maximum utilization of the abundant hydro-resources** is one of the priorities of the state;
- The main objective of the long-run energy policy is the attraction of foreign investments for the **construction of the new power plants**;
- The priorities are:
- **Rehabilitation of the infrastructure** connecting to the neighbor countries' energy systems;
- **Construction of the new transmission lines and substations**;
- **Export of the surplus power** generated in new and existing power plants.

Likewise, on the Investor page, in perspective projects section are feasibility study documents for **58 hydro power projects** to help potential investors.

It becomes clear from the above, that there is some discrepancy between officially declared energy policy and investment policy priorities. It is evident without thorough analysis, that environmental commitments declared in the energy policy document are not reflected in the investment priorities. E.g. "**Effective development of local energy resources**" declared in national policy document was translated into investment priorities as "**maximum utilization of the abundant hydro-resources**". Based on recent years' practices it is quite clear what "**maximum utilization of the abundant hydro-resources**" means - it means leaving only 10 per cent of the water flow in the rivers and using the rest for production of energy; this also means construction of large hydro dams. In other words - degradation of rivers and river dependent ecosystems and lose of land.

Financial Instruments

Financial instruments aimed at boosting investments in the country may also have direct or indirect impact on the environment in general, and particularly on the land. The following financial instruments are used in Georgia currently to support private investments:

Produce in Georgia - Governmental programme²²

The program was launched in 2014. It aims at promoting the establishment of new enterprises and advancing the existing ones. The program is being implemented by three LEPL-s - Entrepreneurship Development Agency, Agricultural projects management Agency and National Agency for State Property. The program incorporates three components:

- Access to Finance - is based on state co-financing banking credits on certain terms;
- Access to Infrastructure - hand out to entrepreneurs real estate properties in state ownership for the symbolic price of 1 GEL
- Consulting Services and technical assistance

Sectoral directions of the program are:

- Agriculture: primary agricultural enterprises, processing and agricultural enterprises;
- Industries: food industry, chemical industry, timber and timber products, textile production, machinery manufacturing etc.;
- Development of hotel business.

Free Industrial Zones

The rules and terms of establishing free industrial zones and the activities therein are governed by the law of Georgia "On Free Industrial Zones"²³. Under the law, companies located in these zones receive some preferential treatment, including tax benefits. In terms of environmental impact noteworthy is the provision under Article 8 of the Law, according to which an Order by the Government of Georgia may provide for cancelling an obligation to obtain licenses and permits, including environmental permits, or introducing a simplified procedure for obtaining them for the enterprises located within free industrial zone.

Free Tourism Zones

Free Tourism zones in Georgia are established with the purpose of developing tourism and promotion of entrepreneurship in Georgia. The Law "On Supporting the Development of Free Tourism Zones"²⁴ determines the conditions, as well as tax and other privileges for the construction and operation of hotels in free tourism zones. Under this law, the status of a facility of particular importance will be awarded to the hotel in such a zone and a construction permit will be issued under a simplified procedure.

Unfortunately, none of the above instruments includes environmental issues, although their application may result in a significant adverse effect on the environment, including land.

²² The programme web-site: <http://qartuli.ge/>

²³ The law of Georgia of 3 July 2007, available at: <https://matsne.gov.ge/ka/document/view/21994>

²⁴ The law of Georgia of 26 October 2010, available at: <https://matsne.gov.ge/ka/document/view/1073482>

4. The instruments for integration of land issues in policy planning and decision-making on development projects

The **Strategic Environmental Assessment (SEA)** is widely used instrument worldwide to **integrate land issues in the policies**. There are no legal procedures established in Georgian legislation for SEA; however, there is a number of cases of its pilot application.

It is noteworthy that under the EU-Georgia Association agreement Georgia has committed itself to introduce the SEA in compliance with one of the EU directives²⁵. For this, Ministry of Environment and Natural Resources Protection has devoted a separate chapter to SEA in its Environmental Assessment draft code, which is being developed currently. The draft law was planned for submission to the Parliament in spring 2016, but the plan failed. Hence, the draft law will be considered by the newly elected parliament.

As for the **integration of land issues in the decision-making on the projects** there are two instruments in Georgia regulating this issue: construction permits issuance procedure and environmental impact permits issuance (includes EIA process). These two procedures, and their shortcomings in terms of integrating land issues, are briefly reviewed below.

There is no legally established agency in Georgia that would take the overall decision on implementation or refusing development projects by weighing all the economic, social and environmental aspects and potential positive and negative impacts of the planned project. Respectively, there is no development consent procedure established for approval of development projects. Instead, state agencies issue appropriate permits within their respective responsibilities. In some legally established instances one permit issuance process (Environmental Impact Permit) is formally integrated in another permit issuance process (Construction Permit), but this aspect of permitting procedure is not discussed here, as this is beyond the scope of this paper.

Land zoning and construction permit

Under Georgian law²⁶, the land is zoned in accordance with its suitability for construction. Land plots are divided into three categories:

- Land for building - such land plots can be found only within the following functional zones: recreational, residential, transport, public-business, industrial and military areas;
- Land plot for restricted building - such land plots can be found only within landscape and recreation, agricultural, recreational, special, transport, sanitary and military zones; and
- Land plot unsuitable for building - the law does not make clear the characteristics of such land plots and the zones within which they may occur. The law only explains that such a status is granted to land plot "in the case, provided for by law", and its "development shall be possible only after the elimination of unsuitability" (not clear why unsuitable).

A construction permit is issued for the construction of buildings and construction activities in a certain area in compliance with regulations established under the law. Depending on the class of the planned project, a building permit is issued by the Ministry of Economy and Sustainable Development, an authorized executive of Ajar Autonomous Republic, or respective local government body.

In the preparation of construction documents and the decision-making on issuance of building permit, the land issues are raised, but only in passing, in two cases: first - on the stage of search of initial data for design works and in describing the requirements for the study. Here it is mentioned, though vaguely, that the impact of planned works on the land (land plot) shall be examined²⁷; and second - land is mentioned in the requirements to the first stage of decision making on building permit issuance. In particular, the law provides, that for approving the terms of use of land plot for construction (i.e. issue the first stage permit), the type of the land plot and its location (in functional, territorial and structural zones, zones of cultural heritage or environmental protection) shall be established. Another very vague provision of the law is "*in the case of reasonable suspicion, information on the environmental condition of the land plot shall be searched*"²⁸. The law does not explain the meaning of "reasonable suspicion" or "environmental condition of the land plot".

EIA and Environmental Impact Permit

The law on Environmental Impact Permit establishes the list of activities/projects of significant environmental impact that require holding EIA prior to their implementation and obtaining environmental impact permit from the Ministry of Environment and Natural Resources Protection. Besides, there is an instrument²⁹ establishing the issues to be included in EIA. Regrettably, this document does not provide for the necessity to study the planned projects' impact the land. It only mentions the necessity to study the impact on the soil (it states that in EIA process direct and indirect impacts on the soil shall be studied).

²⁵ Directive No 2001/42/EC on the assessment of the effects of certain plans and programmes on the environment

²⁶ Order #57 of 24 March 2009 by Georgian Government; available at: <https://matsne.gov.ge/ka/document/view/5014>

²⁷ Order #57 of 24 March 2009 by Georgian Government, article 35.

²⁸ Article 43 of the same order

²⁹ Order #31 of 15 May 2013 by Minister of Environment and Natural Resources Protection; available at: <https://matsne.gov.ge/ka/document/view/1921646>

As for different activities, holding EIA and obtaining Environmental Impact Permit is required only if the activities are carried out by private persons; in case of state projects EIA is not compulsory. So, in the case of state projects impact on the land is not studied and, hence ignored during project design.

Besides, after 2005-2007 reform of permitting and licensing system, Georgian law does not require EIA when planning the activities with significant impacts on the environment (and respectively, on land), such as for instance, mining, construction of nuclear power plants; food, wood, paper, leather and textile manufacturing, and some of infrastructural projects.

Under the current legal norms energy and transport projects are subject to EIA. As to agriculture projects, the projects listed below were subject to EIA before 2005-2007 reform; however they have been removed from the list of projects requiring mandatory EIA. Those projects are as follows:

- Use of agriculture land for non-agricultural purposes;
- Implementation of plans and programs for the protection and land use projects;
- Use of virgin lands and natural (pristine) areas for intensive agriculture;
- Carrying out amelioration.

As becomes evident from the above, the EIA law does not pay enough attention to the impact on the land of different projects. Land loss, in general, is not considered as a serious negative impact of a project.

In the context of impact on land of projects with significant environmental impacts, it is noteworthy that there have been cases of such projects near, or on the protected areas.

5. Impact of environmental policy on the land

Regrettably, Georgia has no national environmental policy that would define the goals, objectives and priority directions of the country in the sector, including the land protection. Hence it is difficult to assess direct impacts of environmental policy on the land. However, there are several strategy documents that will have positive impact on the land. These are:

- National Biodiversity Strategy and Action Plan of Georgia, 2014-2020 (2014)³⁰;
- Second National Program of Actions to Combat Desertification, 2015-2022 (2014)³¹;
- National Forest Concept of Georgia (2013)³².

Strategy and action plan for development of protected areas for 2016-2020 is being developed currently. This document, if adopted will also have positive impact on the land.

6. Monitoring and assessment

As noted earlier in this paper, the policy planning system in Georgia is weak. This is also true for the final stage of planning - monitoring and assessment.

Pursuant to the reform strategy mentioned in the beginning of this paper³³, monitoring and assessment systems in Georgia are very weak. Significant deficiency of the existing system is the absence of monitoring and assessment tools. The assessment and monitoring of sectoral strategies, priority actions and achievement of strategic objectives are not carried out, which does not allow for determining and evaluating whether the policy in a particular sector fetched specific results, and the policy objectives have been achieved. Respectively, it is difficult to assess the policy impacts on the environment in general, and on the land - in particular.

³⁰ Order #343 of 8 May 2014 by Georgian Government; available at: <https://matsne.gov.ge/ka/document/view/2342057>

³¹ Order # 742 of 29 December 2014 by Georgian Government; available at: <https://matsne.gov.ge/ka/document/view/2663271>

³² Resolution of the Parliament of Georgia of 11 December 2013; available at: <https://matsne.gov.ge/ka/document/view/2157869>

³³ See Order #286 of 18 April 2016 "on changes to the Order No 427 of August 2015; available at <https://matsne.gov.ge/ka/document/view/3259832>

Conclusion

As is clear from the analysis, the policy planning in Georgia requires a significant improvement. Policies in different sectors of economy are formulated and clear to the public; the country has no investment policy; neither it has national environmental policy. Regardless the aforesaid, the documents reviewed here allow for the conclusion, that:

1. The policy documents outline the goals and priorities that may entail significant direct or indirect negative impacts on the land; some of these documents contain priorities of potential positive impact on the land, but they are not aiming at preventing, mitigating or compensating possible negative impacts of the same policy.
2. There is some inconsistency in the objectives and priorities outlined in policy documents: often the priorities of different directions and levels are addressed in the same context; or the policy documents contain the priorities that logically would be expected to be found in action plans of one or another agency. This indicates low competence in the planning institutions.
3. While the implementation of priorities under policy documents (e.g. road construction or development of hydro resources) may cause any of the negative impacts listed in the table provided in the introductory chapter of this paper, and, as if to balance, most of the priorities in those documents refer to just improvement of management tools. The commitments, like: expanding the network of protected areas, rehabilitation of polluted, degraded areas, or reduction of land take and land degradation are rarely indicated in the policy documents.
4. There is no instrument in Georgia to help to integrate land issues in development policies. As to the project-level decision-making, the existing instruments are not adequate to properly integrate land issues in the decision-making.

Recommendations

1. In order to integrate land issues in the development policy, first of all the **country needs to have national policy on land**. Among other issues, this guidance document should define the targets for the protection and sustainable use of land, main directions of land reforms which started in 1990 and is still ongoing; balance the competing interests on land, set framework for land tenure rights, address such sensitive issues as for instance ownership of farm land by foreigners, or ownership of land and land-based resources by religious communities (in particular Georgian Apostolic Orthodox Church). Elaboration and approval of national land policy is an urgent necessity.
2. Land law in Georgia is fragmentary and does not (or almost does not) govern many aspects of land protection and land use. Hence the land law also requires urgent improvement; however this process will not be efficient if the law-makers are not guided by national policy document on land.
3. It is important that the implementation policy planning system reform for 2015-2017, mentioned in chapter one of this paper, is not postponed. Timely implementation of this strategy and action plan, in its turn, will facilitate quality integration of land issues in development policy.
4. To integrate properly land issues in the development policies and project-level decisions, widely used planning instruments (such as for instance, SEA) should be introduced and existing tools (such as spatial planning, permitting procedures and EIA processes) should be improved.



This policy brief was produced under the framework of Green Alternative's project "Improving land governance to foster sustainable development in Georgia". Green Alternative gratefully acknowledges the financial assistance of the European Union.

The content of this publication is the sole responsibility of Green Alternative and can under no circumstances be regarded as reflecting the positions of the European Union.

© Green Alternative, 2016

27/29 Paliashvili St.
0179 Tbilisi, Georgia
Tel: (995 32) 229 27 73
Fax: (995 32) 222 38 74
greenalt@greenalt.org
www.greenalt.org