



**THE STRATEGIC ENVIRONMENTAL, SOCIAL AND CULTURAL HERITAGE
ASSESSMENT OF THE REGIONAL DEVELOPMENT AND TOURISM
DEVELOPMENT STRATEGIES OF
SAMTSKHE-JAVAKHETI AND MTSKETA-MTIANETI**

EXECUTIVE SUMMARY

Third Regional Development Project

February 10, 2015

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The Strategic Environmental, Social and Cultural Heritage Assessment (SECHSA) of the regional development and tourism development strategies of Samtskhe-Javakheti and Mtskheta-Mtianeti was carried for the purposes of the World Bank-financed Third Regional Development Project (RDP III). The objective of RDP III is to improve infrastructure services and institutional capacity to support the development of a tourism-based economy of the Samtskhe-Javakheti and Mtskheta-Mtianeti regions. The implementation of the project is expected to improve access, quality and reliability of public infrastructure; increase the volume of private sector investment in the region; and increase points of sales (tourism-related enterprises) in renovated culture heritage sites and cities. With these interventions the project will contribute to the implementation of the Regional Development Strategies (RDSs) and Regional Tourism Development Strategies (RTDSs) of Samtskhe-Javakheti and Mtskheta-Mtianeti regions. The SECHSA aimed to analyze strengths and weaknesses of these strategies and identify risks associated with their implementation in order to allow well-informed decision-making on the relevance of supporting RDSs and RTDSs, and fine tuning the design of RDP III with the Government's policy objectives in the target regions.

The SECHSA also explored expected cumulative impacts of RDSs, RTDSs and RDP III and impacts of the likely future development induced by the implementation of these strategies and of the World Bank-supported operation. The SECHSA report also provides recommendations towards the finalization of tourism development strategies for the target regions and to define how RDP III investments may amplify positive impacts and avoid or minimize any risks that these plans may carry.

1. Background information of Mtskheta-Mtianeti and Samtskhe-Javakheti Regions

Samtskhe-Javakheti

Samtskhe-Javakheti region stretches over 6413 km² and has a population of 208,000. The region includes six large municipalities and its administrative center is Akhaltsikhe. Main urban areas are Akhalkalaki, Akhaltsikhe, Borjomi, Vale, and Ninotsminda. 69% of the population is rural. There are around 2300 IDPs, vast majority of those are from 1992-93 conflict. Ethnicity is an important consideration in Samtskhe-Javakheti. Ethnic minorities comprise 57% (population census, 2002) of the population of Samtskhe-Javakheti, with vast majority - 54% - of ethnic Armenians. Many females do not know Georgian, which makes it difficult for them to communicate with those outside their ethnic community, to provide feedback to local institutions, participate in meetings, or to access the labor market.

Samtskhe-Javakheti is a strictly agrarian region where the share of agriculture in total value added is largest (32%). Most of the human resources are employed in agriculture. The share of agriculture in the region's total value added in 2006-2011 was approximately 33%, higher than the same figure in other industries of the region and other regions of Georgia.

The region's agriculture is made up of family farms and commercial farms. 73% of family farms produce agricultural products for own use, while for others - agriculture is a source of income. The level of commercialization of agriculture in the Samtskhe-Javakheti region is higher than in any other regional of the country. More than half of agricultural land is used for pastures. Second largest area used for agriculture is arable land. Productivity in both – animal farming and crop growing is pretty low. There are no major industrial facilities in the region. Mining for construction materials and timber extraction are significant branches of economic activity. Construction of a new 500/400/200 kWh electric substation and high voltage transmission lines have been completed recently that will facilitate Georgia's power exports to Turkey. Baku-Tbilisi-Ceyhan oil pipeline passes through Samtskhe-Javakheti since 2006. A gas pipeline connecting the same destinations lies in the same transport corridor.

Satskhe-Javakheti is home to several cultural heritage sites and nature attractions. The most significant sites are: Akhaltsikhe and Borjomi historical cities, Abastumani wellness resort town with its vernacular wooden architecture houses, and observatory Vardzia cave monastery and Vanis Kvabebi, Akhaltsikhe Fortress Rabati, Romanov palace in Likani, Sapara monastery, Zarzma monastery, Khertvisi fortress, Phoka monastery, and Atskuri temple ruins and fortress. The main nature attractions are: Bakuriani ski resort city, Borjomi-Kharagauli National Park, Javakheti National Park, six lakes and protected areas around them, and a world known bird-watching area with preserved plains and wildlife.

Mtskheta-Mtianeti

Mtskheta-Mtianeti region has an extension of 6.785 km² and a population of 125,000. The region includes four large municipalities and its administrative center is Mtskheta. The main urban areas are Mtskheta and Dusheti. Approximately 75% of the population resides in rural areas. Vast majority of population is ethnically Georgian. There are around 10,900 IDPs in the region most of which were displaced in the 2008 conflict.

Cattle and sheep farming and dairy production are the main branches of agriculture. Potato is a dominant crop cultivated. There are no large commercial farms in the region. Subsistence farming prevails. Mtskheta-Mtianeti is a major transport corridor, as an international automobile road passing through this region connects Armenia and Georgia with Russia and significant volumes of cargo are transported through this road. However landslides and avalanches block the road several times a year. A major North-South gas pipeline passes through this region too and is used for natural gas import from Russia to Georgia and Armenia.

Mtskheta-Mtianeti region is a major tourism destination with the UNESCO World Heritage Site of Mtskheta town and an exceptional portfolio of cultural heritage and natural products with a year round appeal for foreign and domestic visitors. The most significant sites are: Dusheti and Kazbegi historical towns with their vernacular architectural style, Svetitskhoveli church, Jvari temple, Shiomghvime monastery, archaeological sites of Bagineti-Armazi and Samtavro-Dzalisi;

Zedazeni church, Bochorna church, Ananuri fortress, Gergeti Trinity church, Shatili and Mutso historic fortified cultural heritage villages, and Sno fortress. The main nature attractions are Gudauri ski resort and Tbilisi National Park.

2. Regional Development Strategies for Samtskhe-Javakheti and Mtskheta-Mtianeti

RDSs for Samtskhe-Javakheti and Mtskheta Mtianeti were developed for the period of 2014-2021 in accordance with the guiding principles provided in the Regional Development Strategy of Georgia for 2010-2017 and the State Strategy on Regional Development of Georgia for 2015-2017. The RDS for Samtskhe-Javakheti was completed and approved in 2013. For the Mtskheta-Mtianeti, the RDS 2014-2021 is drafted and yet subject for approval.

RDSs for both target regions have pretty similar priorities and propose the following trends of development:

- **Agriculture:** adopt modern technologies and introduce new plant varieties for increasing productivity and efficiency; improve technological basis for cattle breeding and poultry; develop infrastructure for post-harvest handling and cold storage of produce and for food processing.
- **Energy:** development power generation capacity through construction of small and large hydro power plants (HPPs); increase use of alternative sources of energy, such as wind and solar.
- **Infrastructure:** improve the network of regional and local roads; upgrade and expand water supply and sewage systems; install wastewater treatment plants and solid waste management facilities; increase coverage of electric power and gas supply; enhance communications.
- **Natural Resources:** extract and sustainably use fresh and mineral water resources, timber and non-wood forest products, and inert construction materials; also, continue exploration of coal deposits and oil fields in Samtskhe-Javakheti.
- **Small and Medium Enterprises:** provide enabling environment for the development of small and medium enterprises (SMEs) in the fields of tourism, agriculture, food processing, construction materials, alternative energy, construction and service.
- **Trans-Boundary Cooperation:** engage in international trade, tourism, trans-boundary initiatives of nature conservation and energy exchange.
- **Environment Protection:** improve management of forests and protected areas, as well as enhance capacity for the prevention and management of natural disasters; develop regional system of monitoring quality of environment.

3. Tourism Development Strategies for Samtskhe-Javakheti and Mtskheta-Mtianeti

Final draft RTDSs for Samtskhe-Javakheti and Mtskheta-Mtianeti were developed in October 2014 through the analysis of the competitiveness of these regions as of tourism destinations using a Value Chain approach. Both Strategies cover period from 2015 to 2020. The final version of these documents has not been approved yet by WB and GNTA, however, the tentative schedule for approval is March/April of 2015. With participation of all major stakeholders, strategic vision, identification of tourist hubs, value proposition, forecasts and an action plan were formulated. Samtskhe-Javakheti and Mtskheta-Mtianeti regions - like Georgia as a whole - have significant untapped tourism development potential. The country and the region have good, affordable access from major regional and European source markets, good infrastructure, a very business-friendly regulatory environment, and a rich mix of cultural and natural attractions.

The RTDSs for both regions recommended value enhancement for the following three clusters:

Resorts:

Samtskhe-Javakheti: (a) identification of traditional winemaking and gastronomy, establishment of wine and food degustation facilities, set-up marketplaces; (b) development of new ski-lifts, snowmaking facilities and new winter adventure products – snowmobiles tours, ski-tours- in Bakuriani; (c) Development of a recreational area in Bakuriani and improved park facilities in Borjomi (spa; recreation and fun); (d) extend the outdoor activities in the territory of Borjomi-Kahargauli National Park and improve services (e) develop winter and summer events focusing on sports and USPs.

Mtskheta-Mtiantei: (a) the use of mountain guides national standards designed according to the international (UIGM) standards for professional education, training and certification; (b) Further development of a network of mountain huts, shelters and trails is important for improving the accessibility, safety, and overnight stay potential; (c) Integrated destination management covering Gudauri (winter) and Kazbegi (summer) should be explored; (d) Provide public bathrooms, public transportation, simple cafés, visitors desks incorporated with national park visitors centers, museum sales points, and information centers.

Cultural Heritage:

Samtskhe-Javakheti: (a) integrated management is needed regulated by the “heritage site management plan” (elaborated by NACHP) and mutually agreed upon by Church authorities (when the site is church property); (b) investments are needed for tourism services, including restaurants, bars, wine bars, museums, cultural performance venues, artisan shops and markets, and lastly, accommodations.; (c) training in basic hospitality skills, language training, marketing and heritage site management training by local training providers scheme in close collaboration with MoESD.; (d) encourage participation of Monasteries in a visitor program to enhance the visitor experiences and reduce the risk of future conflicts.

Mtskheta-Mtiantei: (a) investments in tourism services near cultural heritage attractions including restaurants, bars, wine bars, nightclubs, cultural performance venues, artisan shops and markets, and accommodations; (b) Specific training programs designed for heritage site guides; (c) The involvement and role of Orthodox Church should be considered while planning activities and events.

Nature and Adventure:

Samtskhe-Javakheti and Mtskheta-Mtianeti: (a) improve access to the National Parks and protected areas; (b) protected areas need quality accommodations particularly near the locations of park entrances; (c) improve visitor services through a concessions policy by which the government would build facilities and lease them to private sector operators or allow private investors to build and operate facilities within the park, in exchange for annual fees and a percentage of profits from operations and (d) partnership should be encouraged between protected areas and tour guides/companies specializing in adventure sports (mountain climbing, kayaking, rafting, etc.), involving organizations like the Adventure Travel Trade Association. (e) Special events should be organized to help promote the national parks, e.g., a cross-country skiing competition or adventure race; (f) Specialized training will be needed for nature guides, mountain rescue, and specialized adventure sports (mountain climbing, kayaking, canyoning, rafting)

Tour Circuits and Routes

Recommended value enhancements for **Samtskhe-Javakheti and Mtskheta-Mtianeti** include development of thematic circuits and trails (wine routes, heritage landscapes, historic roads), as well as development of multi-country (between Georgia, Azerbaijan, Armenia, and Turkey) tours, trails and itineraries.

4. Risks for the Natural and Social Environment and for Cultural Heritage Associated with the Implementation of RDSs and RTDSs in Mtskheta-Mtianeti and Samtskhe-Javakheti

RDSs identified some risks associated with attaining of the goals set forth in these strategies. *Excessive use of agrochemicals* that may have adverse impact on the quality of produce as well as pollute environment is the potential threat related to striving for increased productivity in rural farming. RDSs acknowledge issues related to *inadequate pasture management*. Enhancement of cattle farming may further decrease productivity of pastures and aggravate erosion due to overgrazing. Mtskheta-Mtianeti and Samtskhe-Javakheti are rich in forest resources and the established strategic goal is to increase revenues from their use, however risks of *unsustainable wood harvesting* are considerable. RDSs also cover the issues of *emissions and waste from industrial facilities* noting that the size/capacity of an enterprise and the environmental harm coming from it are not necessarily proportional, because larger entities are under more stringent control from the inspecting bodies and invest more in advanced technologies, while oversight of SMEs is less stringent and technologies are less sophisticated. So SMEs are not low-risk by definition and their impacts on the environment should be watched. Finally, RDSs take note of challenges related to land use which increase along with economic growth. *Land take and conversion for the needs of installing HPPs* - especially of those requiring construction of reservoirs - have complex environmental and social implications. Transport infrastructure is key for regional development, however better access to some remote areas may cause *transformation of ecosystems and landscapes* preserved from anthropogenic impacts till present.

RDSs do not discuss social issues that may get in the way of regional development, except that RDS for Mtskheta-Mtianeti identifies out-migration from remote mountainous areas as an issue for the region and discusses the ways of addressing it. Risks to the physical cultural heritage are not identified.

RTDSs fall short of covering environmental and social sensitivity of tourism development. While noting conservation of protection of heritage monuments as an integral part of developing cultural tourism, RTDSs make a statement about the importance of applying adequate techniques of restoration to the monuments, so that their historic value is retained.

SECSHA confirmed relevance of the risks identified in RDSs and RTDSs, provided deeper analysis of these risks, and highlighted additional sensitivities that should be considered while applying these strategies to the target regions.

A. Environment

Environment degradation from agricultural point and non-point sources of pollution

In both target regions, animal husbandry and dairy production are important branches of agriculture. Potato and other vegetables are also farmed, and grapes are grown for wine-making in Samtskhe-Javakheti. Intensification of animal farming through increasing number of cattle may lead not only to further degradation of pastures, but also have negative impact on forests and other valuable landscapes due to uncontrolled grazing outside allocated pasture lands. Organic pollution will increase as a result of operating of a growing number of poultry and cattle farms if present poor practices of organic waste management do not improve. Improper application of pesticides and fertilizers may not only pollute soil, water and groundwater, but also affect the quality of farm produce and have implications for the human health. Strive for higher productivity of the primary agricultural production may threaten Georgia's agro biodiversity if local varieties and breeds are increasingly substituted with newly bred foreign ones.

Loss of habitats, transformation of landscapes and loss of their recreational value due to construction of HPPs

The RDSs promote the development of a system of small and large HPPs. Georgia has ambitious plans for increasing hydro power generation capacity across the country. Several HPPs on the tentative to-do list of the Ministry of Energy may appear in the water sheds of Mtkvari (Kura), Tergi and Aragri rivers within the territory of Samtskhe-Javakheti and Mtskheta-Mtianeti. The potential risks associated with the development of hydro power generation facilities include loss of terrestrial and aquatic habitats and wildlife due to construction of HPPs, access roads and power transmission lines; land take and change in the land use pattern, which is particularly important if dams and reservoirs are also to be construction; loss of the aesthetic and recreational value of landscapes; and possible alteration of microclimate and local weather patterns.

Additional concerns related to the construction of HPPs is that there is no formally adopted sound methodology of calculating acceptable minimal environmental flow for the rivers subjected to water abstraction. Also, integrated watershed management is not a formally adopted practice yet and assessment of cumulative impacts from multiple water users is not adequately integrated into permitting procedures for individual investments. However it is expected that a country-wide strategic environmental and social assessment of Georgia's power sector development prospects will be undertaken in 2015 and will set a framework for future decisions at the regional level too.

Unsustainable extraction of natural resources

Both target regions are rich in mineral and forest resources. RDSs support extraction of stone, clay, gravel and other construction materials, as well as production of timber and firewood. It is encouraging that illegal extraction of mineral resources and timber has been significantly curtailed in Georgia, however regulatory framework in this field remains weak and sustainable ways of meeting considerable demand for firewood are yet being searched. Mining and borrowing are not subject to environmental impact assessment and permitting. Addressing of this legislative shortfall is on the Government's agenda, but remains in force for time being. It results in precedents of licenses permitting borrowing directly from the river beds or other sensitive areas. Licenses do not carry legally binding terms regulating on-site management during works and site reinstatement after their completion. Also, cumulative impacts of operating multiple quarries and mines in the same water shed or other geographic unit are not looked at and considered.

In the decades of economic hardship in Georgia characterized, among other aspects, with energy shortage and high level of corruption, significant deforestation and forest degradation occurred country-wide, including the two target regions. Legal and regulatory basis for forest management and use underwent series of reforms, which are not complete yet. The role of private sector in forest management and its economic use, as well as the scope of regional and local authority over forests are being defined currently through the development of the new Forest Code due by end of 2015. Meanwhile, maximizing forest revenues from the use of its wood and non-wood resources without causing deforestation and degradation of forest quality in a long run remains a big challenge.

Emissions and Waste Pollution from SMEs

Solid waste management is acknowledged as a major issue by both RDSs and shortage of waste management infrastructure is a significant risk associated with the implementation of RDSs and RTDSs. There are no landfills that would meet contemporary standards in either of the two regions. Although the central government has embarked on a massive program of arranging sanitary landfills throughout Georgia, years will pass till decent coverage is achieved country-wide. Therefore, interim solutions are being proposed in order to address acute problems. Waste

law remains in draft for many years. There is no comprehensive legal basis for handling hazardous waste and no facilities are available in-country for the deactivation and final disposal of many types of toxic waste.

Adoption of low emitting green technologies is a declared priority of the central government. It is expected that industry in general and SMEs in particular will soon be given incentives for adopting clean technologies and investing into energy efficiency. Control over the industrial emissions and discharges is being strengthened as the Department of Environmental Supervision newly created in the Ministry of Environment and Natural Resources Protection builds up its institutional capacity.

B. Cultural Heritage

Loss of Authenticity and Historical Value of Monuments through Restoration

Both target regions are rich in cultural heritage and many physical assets are in a need of restoration and conservation. Recent country experience flagged risks associated with this highly desired and welcomed type of intervention, as conceptual approach and technical solutions applied to restoration of historic monuments resulted in controversial outcomes. Cautious approach is required to the restoration works to be undertaken on the historic monuments of Samtskhe-Javakheti and Mtskheta-Mtianeti regions.

Many heritage monuments across the country, including the two target regions, are religious buildings currently operated by the Georgian Orthodox Church. Decisions to be taken about provision of supplemental infrastructure for such monuments, restoring them, and managing tourist visitation may ignite tension and even conflicts unless they are discussed and agreed upon between the cultural heritage and tourism agencies on one hand and the Church on the other hand.

Negative Impact on Visitation Experience from Exceeded Carrying Capacity of Sites

According to RTDSs, the Government will invest in the upgrade and development of infrastructure in the historical settlements as well as in the proximity to the cultural and natural heritage sites. Increasing visitation to heritage sites is the primary goal set forth in RTDSs. However as Georgia strives to establish itself as a tourist destination and concentrates on increasing inflow of visitors, little consideration is given to the carrying capacity of the advertised sites. Sooner or later saturation may occur and further increase of visitors' inflow may lead to negative impacts on the visitor's experience and harm the heritage site as well.

Conflict with Local Traditions and Behavioral Patterns

RTDSs aim at rehabilitation of historical settlements, which are inhabited by local population at present. Most of the religious buildings advertised for tourist visitation are active worship sites and may be used for living by monks or nuns. Unless visitation to such sites is properly

managed, it may lead to tension between external visitors on one side and local communities and clergy on the other side. Safety of monuments may also be compromised if relevant restrictions are not introduced/enforced, such as flashlight photographing of interior, leaving memorial inscriptions on walls, taking fragments of buildings as souvenirs, etc.

Loss of Authenticity of Traditional Artisan Industries through Commercialization

Increased demand for local cosine and art crafts from tourists may result in deterioration of quality and eventually – loss of authenticity of the offered services and goods.

C. Social

Out-Migration of Population

Investments aimed at development and growth in some areas of the target regions may not benefit intended number of local population and reach desired impact if out-migration from remote mountainous areas continues despite provided opportunities, which is possible due to a strong trend of urbanization country-wide.

Uneven Distribution of Benefits

Achievement of the strategic goals in the target regions cannot guarantee that certain groups of population will not be sidelined and benefit in a fair and equal manner. Diversity within the regions will result in more investments and greater growth areas that are richer in natural and cultural assets; have higher qualified and/or more entrepreneurial works force. Furthermore, land consolidation and commercialization of agriculture – which is being supported as a positive trend of rural development – may worsen livelihoods of those who give up small land plots but fail to land new jobs and find alternative sources of income.

Ethnic Tensions over Investment Decisions

While RDSs and RTDSs exclude any type of discrimination, ethnic tension may still arise over the government's investment decisions in Samtskhe-Javakheti. Unless special effort is made toward dissemination of information and inclusive development, then lack of integration, poor command of Georgian language, and other reasons may lead to exclusion or side-lining of non-Georgian population from the offered development opportunities. Lack of awareness and poor outreach may also result in misunderstand and disinformation about certain aspects of the implementation of regional strategies.

5. Expected Positive Impacts of implementing RDSs and RTDSs

A. Social

Implementation of RDSs and RTDSs is expected to have positive poverty and social impacts. Poverty in Georgia is associated with unemployment of the household head, and support for

tourism is expected to lead to job creation. Employment generation is expected to benefit women and men in Mtskheta-Mtianeti and Samtshe-Javakheti. Construction jobs are will predominantly benefit men, since they are more likely to have interest in these jobs and skills in the construction field. Jobs in tourism are expected to benefit women and men. Some jobs in the hospitality industry are more likely to be taken by women, while some are more likely to be held by men (drivers).

Employment generated because of this project is also expected to benefit people with different levels of income. Larger businesses are expected to profit, in turn generating jobs for people of all skill levels. Small and medium-sized businesses, as well as some micro-businesses, are also expected to increase their profits and expand. Individuals at all skill levels are also expected to have greater job opportunities. RDSs provide for broader infrastructure development for Mtskheta-Mtianeti and Samtskhe-Javakheti. Better infrastructure is also expected to lead to investment in sectors other than infrastructure, to jobs in infrastructure development, and better overall services for citizens in these regions. Better water and sanitation is expected to benefit everyone. Improved roads and revitalized city centers will also be enjoyed by the whole population, regardless of gender, age, or income level.

B. Environment

Despite challenges of sustaining regional development in Samtskhe-Javakheti and Mtskheta-Mtianeti as outlined above, due implementation of RDSs and RTDSs is likely to result in positive environmental outcomes. They are expected from the improvement of waste and wastewater management, application of preventive measures against occurrence and destructive impacts of natural disasters, sustaining use of natural resources, and establishing enhanced system for monitoring key parameters of the environment quality.

C. Physical Cultural Resources

RTDSs name cultural tourism among three clusters that would be crucial for increasing visitation to the two target regions. RTDSs aim at the improvement of accessibility to the heritage sites, upgrading of public infrastructure around them, and reinforcing/restoring deteriorating heritage buildings. With the application of adequate methodology and techniques, this will result in much deserved positive outcomes for the physical cultural resources of the target regions.

6. Expected Cumulative Impacts

The World Bank-financed RDP III will provide selective support to the achievement of individual strategic goals of the Government in Mtskheta-Mtianeti and Samtskhe-Javakheti regions. Risks to the natural and social environment and to the cultural heritage that may result from the implementation of RDP III are small to medium, and the project is classified as environmental Category B. However SECHSA looked at how risks of RDSs, RTDSs and RDP

III may accumulate in a long run and what type of induced development may result from their implementation.

Investments under subcomponent 1.1 of RDP III may add to the environment pollution with solid waste and wastewater generated through the operation of new infrastructural elements to be provided by RDP III for cultural heritage sites. Pollution, landscape degradation and nuisance for local communities may result from new businesses and public infrastructure to be supported under Component 1.2 of RDP III. Based on the experience from the implementation of RDP and RDP II, provision of new infrastructural elements in the target settlements and heritage sites may require exclusion of small land plots from the State Forest Fund. Despite minor scale, this may contribute to cumulatively tangible conversion of forest land, unless environmental offsets are provided. RDP III will help to improve access to cultural heritage sites and otherwise stimulate tourist visitation to these sites. Along with the government's other investments in this field, cumulative impact of increased tourist inflow may it may become negative at some future point of time, if carrying capacity of the most popular sites are surpassed. RDP III design and implementation arrangements carry adequate mechanisms to ensure that the project implementation does not add to the existing risks of exclusion vulnerable and disadvantaged from the benefits of regional development and economic polarization of communities based on their uneven prospects.

7. RDP III and SECHSA Recommendations for Its Implementation

RDP III is designed to contribute to the achievement of overall strategic development goals of the Georgia's government in Samtskhe-Javakheti and Mtskheta-Mtianeti regions through selective investment into activities that support implementation of RDSs and RTDSs. The Project Development Objective is

The Project Development Objective is to improve infrastructure services and institutional capacity to support increased contribution of tourism in the local economy of the Samtskhe-Javakheti and Mtskheta-Mtianeti regions. The Project activities are expected to benefit the residents, tourists and enterprises in Samtskhe-Javakheti and Mtskheta-Mtianeti regions. They are expected to receive improved access to, and quality of, public infrastructure; increased volume of private sector investment in the region; and increased small and micro enterprises in renovated cultural heritage sites and cities. The Government will benefit from increased overall tourism spending and satisfaction, job creation, improved institutional capacity of agencies, and improved capacity to operate assets.

Component 1: Infrastructure Investment (US\$55 million)

Component 1.1: Urban Regeneration and Circuit Development (US\$45 million). This component will finance: urban regeneration of old towns and villages, including restoration of building facades, public spaces, museums, roads and water, and enhancement of cultural and natural heritage sites, including access and presentation. The Project will focus on sites along the circuit connecting the selected heritage, nature and ski sites. The proposed sites/subprojects will

supplement what the Government has already invested in. These can be grouped into two categories:

- Three cities suggested for urban regeneration building on its comparative advantage as cultural heritage and vernacular architecture destinations: Dusheti, Kazbegi and Abastumani. The Project will build on previous investments made by the Government, and may finance small-scale incremental investments needs, in Mtskheta, Gudauri, Bakuriani, Borjomi and Akhalsekhi. Additional investment needs in Akhalkalaki, Ninosminda and Khevsureti will be subject to a great scrutiny during preparation, under the planned Tourism Development Strategy for each region.
- Nine cultural heritage sites are suggested for improved site management and construction of tourism facility and access road: Saphara Monastery, Saro Church and Darbazi houses, Zarzma Monastery, Vani Caves, Khertvisi Fortress, Akhalkalaki Castle, Ananuri Fortress, and Gergeti Trinity Church.

Component 1.2: Provision of Public Infrastructure to Attract Private Investments (US\$10 million). To encourage private sector investments in the region, this component will support a selected number of private sector entities in project areas that demonstrate interest and capacity to invest in tourism or agribusiness through investing in complementary public infrastructure that is necessary to ensure the viability of their investments (e.g. public facilities within vicinity of the investments, road/sidewalk, water/sanitation, communications, connection to main trucks, etc.). The investment proposals would be subject to screening by a selection committee and there will be appropriate conditions tied to that.

Component 2: Institutional Development (US\$5 million).

The component will support institutional capacity and performance of the Georgia National Tourism Administration (GNTA), National Agency for Culture Heritage Preservation of Georgia (NACHP), National Museum, Project Implementing Entity (Municipal Development Fund of Georgia, MDF), and other local and regional entities in order for them to carry out the following activities: setting up of destination management office in each region; marketing and promotion; preparation of sustainable site management plans for all Project's cultural heritage sites; training for skilled workforce development and capacity building; cultural heritage advisory service to the NACHP to improve their capacity on protection and management of the World Heritage property Historical Monuments of Mtskheta to prevent its possible removal from the List of World Heritage in Danger; business start-up/expansion advisory service to tourism SMEs; performance monitoring & evaluation activities; and preparation of feasibility studies, design and construction supervision.

Handling Involuntary Resettlement and Grievances

RDP III triggers the World Bank's Safeguards Policy on Involuntary Resettlement OP 4.12. A Resettlement impacts would mainly relate to temporary relocation and/or loss of income or productive assets during construction. However, there might also be some cases of permanent resettlement. Resettlement Policy Framework was prepared and disclosed to the public according to the policy and a baseline social assessment was carried out in the target regions. Resettlement activities will be fully informed by this social assessment. In particular, consultations held with project affected people will be held in venues that are accessible, in a form and language

appropriate for the group, and results of the meetings will be publically disclosed. Information on project affected people will be collected in a way that makes it possible to identify specific vulnerabilities that may make it difficult for that person or their household to cope with project impacts. Gender, disability, income, education and age will be considered when determining specific individual vulnerabilities. In Mtskheta-Mtianeti, special attention will be paid to mountain communities.

Resettlement activities shall incorporate a focus on livelihood restoration. To the extent possible, project affected people will be included in project-funded skills development activities. When this is not possible, the project will try to connect those affected with other government or donor-funded activities promoting skills, income generation, or access to finance. If no other activities exist that are appropriate for these individuals, RDP III will provide funding for individuals to start small businesses, to acquire skills, or to expand other livelihood activities, as appropriate. RDP III will pay special attention to livelihood restoration activities for women or for pensioners, given that these two groups are more likely to have difficulties adapting to different livelihood activities.

Monitoring and evaluation of resettlement and land acquisition shall be carried out systematically. Monitoring of impacts on resettled individuals and households, and on those receiving livelihoods restoration assistance shall take place immediately after the implementation of site-specific Resettlement Action Plans as well as six and twelve months after displacement has occurred. If after 12 months of displacement, negative impacts, such as reduced income are found, additional support shall be provided to those individuals.

Pooling of TA for the Support to Tourism and Agribusiness SMEs for higher efficiency

For maximizing impact of the TA included in RDP III, synergies may be built between similar activities planned under the World Bank-supported RDP, RDP II, and RDP III. Support to the SMEs in the tourism and agricultural sectors should be delivered in close cooperation with the Ministry of Economy and Sustainable Development, which runs a State program for SME support. Partnership should be sought with other donor-funded activities also targeting SME development. TA for SMEs should include dissemination of knowledge and information about the available low-emission technologies and green development in general, as well as provide incentives for SMEs for the acquisition of these technologies.

Involving Cultural Heritage Agencies in Site Selection and Design of Activities to be Implemented in and around Cultural Heritage Sites

Component 2 of RDP III will finance training and capacity building for Capacity building for the staff of several cultural heritage and tourism management institutions of Georgia. Based on the experience from RDP and RDP II, it will be critically important to engage cultural heritage agencies at all stages of review, design and implementation of project-supported activities which deal with the physical cultural resources. Church should also be involved and consulted in cases

RDP III finances works in or around places of worship. Seeking advice and guidance from international heritage institutions (ICOMOS, UNESCO) will be highly advisable when dealing with monuments of exceptional historic value. Membership of the Minister of Culture of Georgia in the supervisory board of the implementing entity of RDP III – the Municipal Development Fund of Georgia – should guarantee political consensus on the important decisions regarding project investments into conservation and sustainable use of cultural heritage.

Clarifying Property and User Rights to the Public Infrastructure to be provided around Cultural Heritage Sites

Elements of public infrastructure which RDP III will provide as part of investment into upgrading of cultural heritage sites will be constructed on the State-owned land. User rights to such land plots may need to be transferred to the Municipal Development Fund of Georgia during construction period, and then further on to the entity that will operate the infrastructure. Municipality, private company or Church may be given a mandate to operate the provided facilities. All arrangements pertaining land title and user rights as well as modality of operation and maintenance of the infrastructure shall be made well on time. Operating entities may require some orientation and training in particular aspects of their task.

8. Disclosure and Dissemination

SECHSA was undertaken based on a desk review of the RDSs and RTDSs of Samtskhe-Javakheti and Mtskheta-Mtianeti. Discussions with focus groups comprised of the representatives of local communities, minorities, and interest groups will be held prior to completion of SECHSA report. Environmental, social, and cultural implication of the regional strategies and the proposed RDP III were already discussed with the administration and municipal representatives of Mtskheta-Mtianeti regional authority. At this early stage of consultation process, it come to the surface that demand for RDP III resources is significantly greater than what the project can invest in the target regions. Therefore transparency and accountability of the process of the receipt, review, and approval of investment proposals will be highly important throughout the Project implementation.

Present Executive Summary of SECHSA report will be disclosed in Georgian and English languages centrally and within the two target regions and consultation meetings will be held in the regional centers. The objective is to disclose the Executive Summary to have a starting point for meaningful consultations with the stakeholders. The electronic versions of the ES will be made available on the MDF website. The hard copies will be available in Municipal Offices in Mtskheta and Akhaltsikhe.

The problems outlined in the ES of the SECHSA will be discussed in details with the Ministry of Environment and Natural Resources Protection, Ministry of Regional Development and Infrastructure, Ministry of culture and Monument Preservation, National Agency for Cultural Heritage Protection, Georgian National Tourist Agency, National Forest Agency and the Agency

for Protected Areas, The Ministry of Refugees, the Georgian Orthodox Church and the regional authorities and municipalities. The key NGOs active in the country will be sought in addition to the comments from stakeholders within the target regions.

The meetings with the regional authorities are planned in Dusheti (18.02.2015 Mtskheta-Mtianeti region) and in Akhaltsikhe (18.02.15 – Samtskhe-Javakheti region). The representatives of all municipalities of the region, as well as NGOs and interested population will take part in these meetings. The hard copies of the ES will be disseminated at these meetings and records made to reflect the concerns expressed and recommendations provided by the different stakeholders.

The period from 20 to 28 February of 2015 will be used for consultation meetings with the Ministries, Governmental Agencies and Georgian Orthodox Church. Written comments will be requested to ensure that the SECHSA team adequately reflects the recommendations of stakeholders.

The draft SECHSA document will be disseminated among the key Ministries and agencies involved and their comments will be incorporated in the final version of the document.