

**GEORGIA**

Ministry of Environment Protection and Natural Resources (MoEPNR)  
and German Financial Cooperation (KfW)



## **Eco-regional Nature Conservation Programme for the Southern Caucasus (ENCP), Phase III**

### **FINAL REPORT**

### **Consulting Services for the Preparation of a Programme Based Thematic Approach**

January 2011



Deutsche Forstservice GmbH



AGEG Consultants eG



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## ABBREVIATIONS AND ACRONYMS

APA	Agency for Protected Areas
BMZ	Bundesministerium für Wirtschaftliche Zusammenarbeit und Entwicklung
CBD	Convention on Biological Diversity
CEPF	Critical Ecosystem Partnership Fund
CENN	Caucasus Environmental NGO Network
CNF	Caucasus Nature Fund
CTA	Chief Technical Advisor
CWC	Caucasus Wild Plants Certification Centre
DFS	DFS Deutsche Forstservice GmbH
ECPC	Ecoregional Conservation Plan for the Caucasus
ENP	European Neighbourhood Policy
EP	Ecoregional Nature Conservation Programme
FS	Feasibility Study
FSM	Fast Start Measure
GCCW	Georgian Centre for the Conservation of Wildlife
GDC	German Development Cooperation
GEF	Global Environmental Facility
GEL	Georgian Lari
GoG	Government of Georgia
GTA	Georgian Tourism Association

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GEF	Global Environment Facility
IUCN	International Union for the Conservation of Nature
JICA	Japan International Cooperation Agency
KfW	Kreditanstalt für Wiederaufbau
MEA	Multi-lateral Environmental Agreement
MoEPNR	Ministry of Environment Protection and Natural Resources of Georgia
MoESD	Ministry of Economy and Sustainable Development
MR	Managed Reserve
NBSAP	National Biodiversity Strategy and Action Plan
NP	National Park
NPASDSAP	Protected Areas System Development Strategy and Action Plan
NTDIS	National Tourism Development and Investment Strategy
PA	Protected Area
PCA	Priority Conservation Area
PEA	Project Executing Agency
PEEN	Pan-European Ecological Network
PIA	Project Implementing Agency
PIP	Programme Implementation Plan
PMU	Project Management Unit
POM	Programme Operational Manual
PPP	Programme Procurement Plan
RAPPAM	Rapid Assessment and Prioritization of Protected Areas Management
REC Caucasus	Regional Environmental Centre for the Caucasus
SOCAR	State Oil Company of the Republic of Azerbaijan
TJS	Transboundary Joint Secretariat
ToR	Terms of Reference
UNDP	United Nations Development Programme
WWF	World Wide Fund for Nature

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## **EXECUTIVE SUMMARY**

The following report concludes the consulting services for the preparation of a thematic based programme for the Georgia component of Phase III of KfW's Ecoregional Nature Conservation Programme (EP) for the Southern Caucasus.

The purpose of the consulting services was to design a 4 year, 4 million Euro programme and to provide an outline for a possible extension of 3 years with an additional 4 million Euro.

Key design parameters given to the Consultant were:

- activities will be focused in thematic intervention areas where the programme aims to achieve structural impacts by investments at the system level and in the selected PAs;
- investments in the selected PAs will serve to demonstrate enhancements to the management of the PA network and help embed the enhancements in the system.

## **Situation analysis**

### **Location and Extent of the Programme Area**

Georgia holds the major part of the Caucasus region's biodiversity with almost all Caucasus ecosystems and habitats represented and a high number of globally threatened species. Georgia's biodiversity is threatened by unsustainable logging of forests, overgrazing of pastures, poaching of wildlife, the cultivation of wetlands, the inappropriate siting of built development, mining and quarrying, and mass tourism. These threats are compounded by the latent danger of climate change.

Georgia's main strategy for biodiversity conservation is the development and management of its network of protected areas. In the last 15 years Georgia has undertaken an ambitious programme of expanding the network of protected areas. The present PA network is comprised of fourteen strict nature reserves, eight national parks, fourteen national monuments, twelve managed reserves and two protected landscapes covering 495,988 ha of land or 7,1 % of the country's territory (for comparison Germany's coverage of PAs is 21.3%, Europe 7.5% and the USA 14.6%).

### **Policy framework for PA Management**

Georgia is party to all of the international agreements that are relevant to PAs and all of the obligations stemming from those agreements.

As a member of the Council of Europe and party to the Bern Convention Georgia is committed to implementing the Emerald Network of areas of special conservation interest. Georgia is also committed to implementing the Pan-European Ecological Network endorsed by the Environment for Europe process, of which Georgia is a member.

Georgia and the EU cooperate in the framework of the European Neighbourhood Policy; however, neither the current indicative programme for 2007-2010 nor the follow-on programme for 2011- 2013 includes actions related directly to PAs.

The Government of Georgia's policies regarding PA development and management are set out in the **National Biodiversity Strategy and Action Plan (NBSAP)** adopted in 2005. The actions set out in the NBSAP have been overtaken for all practical purposes by the National Protected Areas System Development Strategy and Action Plan (NPASDSAP), though it does not have a formal status. The Ecoregional Conservation Plan for the Caucasus (ECPC) serves as a guiding document for the NPASDSAP.

Policies for some other sectors are relevant to PA development and management: the **State Strategy for Regional Development of Georgia for 2010-2017** recognises the inter-relationships between PAs and rural communities and lays down some guiding principles for local economic development policy and PA development and management policy; the Georgia **National Tourism Development Plan and Strategy** promotes a concept of destination "hubs" and "spokes" which include regions in which PAs are located – in some respects the strategy is complementary to PA development and management policies but in other respects may have a negative impact on plans to expand the network. Further expansion of the PA network in parts of the country is also heavily influenced by policies concerning hydro-electricity generation.

There are weaknesses in the policy framework with regard to the integration of environmental protection goals into national policies, communication between ministries with functions related to natural resources management, and sustainable land management.

### **Legal and institutional framework**

The establishment and management of PAs is governed by the Law "on the System of Protected Areas" (1996) as amended (the Protected Areas Law) and subsidiary regulations. The Protected Areas Law lays down the categories of PA which may be established in Georgia and procedures for establishing, changing the boundaries of, and dissolving PAs, and assigns powers and responsibilities.

Responsibility for planning the system of PAs is vested in the Ministry of Environment Protection and Natural Resources (MoEPNR) and the APA. Responsibility for approving new PAs, extensions to existing PAs, re-categorisation of PAs and cancellation of PAs rests with the Parliament. Decisions to establish new PAs are based on proposals prepared by the APA and submitted to the Government by the MoEPNR.

The Protected Areas Law assigns responsibility for managing PAs to the APA, but with some important exceptions. The powers and duties of the APA are governed by a regulation approved by an order of the Minister of the MoEPNR. The Protected Areas Law and the regulation are not clear with regard to the institutional arrangements for managing protected landscapes / seascapes, multiple use areas and international designations (Biosphere Reserves, World Heritage Sites, Wetlands of International Importance). The concept of a support zone is not fully developed in law and in practice.

Georgian legislation provides that support zones may be established around certain categories of PA in the form of a Multiple Use Area (itself a category of PA in the Georgian system of PAs). The legislation also provides that arrangements for coordinating the management of a support zone may be specified in a special programme approved by the decree of the President of Georgia. The APA does not have general powers to implement measures in support zones. The Protected Areas Law states that PA management plans should include measures in the support zone; however, the Regulations of the APA provide only that the APA should monitor multiple use areas and do not give powers to the APA to prepare management plans for multiple use areas.

### **Extent and representativeness of the PA Network**

There are substantial gaps in the PA network. In order to complete a fully representative PA network which provides for the protection of the full range of Georgia's biodiversity PAs need to be established in the following parts of the country: Pshavi and Khevsureti (located between the existing Kazbegi and Tusheti PAs); Machakhela (located in the south of Adjara on the border with Turkey); and Svaneti, Lechkhumi and Racha.

### **Management effectiveness and capacity of the existing PA system**

Due to a lack of monitoring there is insufficient information from which one can draw firm conclusions about the performance of the PA network in terms of safeguarding conservation values. An assessment in 2009 using the RAPPAM methodology produced the following findings:

- **Pressures and threats, and vulnerability.** Logging, grazing and poaching are significant threats in several PAs. Other pressures and threats exist only in a small number of PAs (fire, fishing, invasive alien species, uncontrolled tourism, mining and quarrying, infrastructure development, conversion of land use and waste disposal). Vulnerability of PAs to the pressures and threats was assessed as not more than moderate.
- **Management effectiveness.** The assessment identified significant weakness in relation to the setting of policies, boundary demarcation, infrastructure and equipment, level of staffing, knowledge and skills, management planning and research, and evaluation and monitoring.
- **Outputs.** The assessment concluded that the PA network was under-performing on habitat restoration, wildlife management, PA infrastructure, management planning, surveys and tourism management.

### **Assessment of the capacity of the APA**

The study team carried out an assessment of the APA's capacity which revealed several strengths but some weaknesses that significantly affect the APA's capability.

Particular strengths include: the APA's strong formal and informal relationships with the national government; the organisation's firmly established legal status; a simple, unified

and clearly defined operational chain of command; coordination of donor funding; formal and informal channels of communication for consumers and service providers.

Significant weaknesses exist in relation to: the APA's powers and responsibilities in some categories of PA and with regard to support zones; overall formal structure and basic division of labour; divergences in the day-to-day functioning of the organization; skills of managers in key positions; basic management systems; official job-structure and staffing plan and specification of job-related tasks and activities, supervisor relationships, job performance standards, skill requirements and formal qualifications; current staffing of key job categories; systems for personnel forward planning, job-performance appraisal and improvement and career planning; strategic planning capacity; information and knowledge management systems; culture regarding expressions of conflict, personal viewpoints, and questioning of official policies; means for coping with major internal problems and external pressures.

The weaknesses in the APA's capacity manifest themselves in the following ways:

- Only 4 out of the 50 established PAs have had their boundaries physically demarcated.
- Some PA administrations are accommodated in poor conditions and lack basic equipment.
- Only 3 out of the 50 PAs have current management plans; the vast majority are being managed without documented long term objectives and policies.
- Local people are not being involved to an appropriate degree in management planning.
- Monitoring of PA performance against objectives is not being carried out.
- Innovative "best practice" policies and practices are not being applied system wide.
- The system lacks qualified staff and there is a high staff turnover due to the uncompetitive level of salaries.

### **Financing of the PA system**

State budget financing for the APA was 1.58 million Euro in 2009 and was projected to be 1.62 million Euros in 2010. About 70% is spent on salaries. The UNDP have estimated that the PA system needs 4.3 million Euro a year to cover basic management costs and investments. The APA hopes to fill the gap with funding from the Caucasus Nature Fund and increased income from tourism. Regardless of whether that strategy is successful the APA will continue to be dependent on donor funding to pay for the incremental costs of expanding the PA network and addressing structural weaknesses.

The PA sector and the APA in particular receive substantial financial support from a large number of donor organisations. Including German Financial Cooperation's funding under EP II (2.1 million Euro for Javakheti National Park, 4 million Euro for the thematic programme which is the subject of this report, and a share of the 3.5 million Euro funding for the Transboundary Joint Secretariat Phase II) total commitments for the period 2010 to 2015 is about 15 million Euro. Of that, 7 million Euro is compensation

from the SOCAR oil corporation for the impacts of new oil facility and which is earmarked for Kolkheti National Park and Kobuleti PAs.

A large proportion of donor funding is for extending the PA network and installing additional infrastructure and equipment; investments which will increase running costs and thus increase the APA's financing needs. Another significant, though smaller, proportion of donor funding is to pay for studies, training and capacity building: these are necessary interventions but do not tackle the problem of running costs. In summary, the current profile of donor funding will not close the gap between financing needs and state budget funding.

## The Programme

### Problem identification

Georgia's PA sector lacks core capacity in participatory management and business planning (systems, number and knowledge and skills of staff assigned to planning and monitoring). Many PAs lack the infrastructure and equipment which they need to function effectively. Underlying these problems is a lack of financing. State budget funding is substantially below what the APA needs in order to make the existing PA network functional, to establish the new PAs which are needed to complete the network, and to pay for the running costs of PAs to maintain their effectiveness in the long term. Tourism offers opportunities to generate income to the PA network and adjacent communities but the supply of services is less than demand in terms of quality and quantity. The APA and adjacent communities do not have access to affordable financing to improve the services.

### Thematic Focus of the Programme

The thematic focus recommended by the Consultant has two aspects:

- **Participatory Planning / Management.** Management planning policies and procedures, including: participation of surrounding communities in PA planning and management, knowledge management, intellectual and technical capacity at system and individual PA level. Financial planning, including policies and procedures for developing sustainable financing plans for the system and individual PAs).
- **PA and community enhancement in particular through tourism development.** Investments in tourism strategies, infrastructure and marketing that will benefit the PA system, the selected PAs, and the population in the surroundings of the PAs. Investments should include improvements to social infrastructure and the environment of communities that will give visitors a better experience and benefit the communities. Other measures should be allowed in addition to priority investments in tourism development.

In addition to measures that are directly related to the thematic focus, the programme will invest in measures in the selected PAs to address significant gaps in management effectiveness.

### **Selection of the PAs to be supported by Programme**

The study team assessed nine existing PAs and three proposed PAs for inclusion in the programme using the following criteria:

- Gaps in management effectiveness (existing PAs only)
- Relevance to the National Tourism Development Strategy
- Commitment of other funds
- Priority in the Ecoregional Conservation Plan and National PA Strategy and Action Plan (only PAs that are not already established)
- Feasibility (only PAs that are not already established).

The study team recommends that the first 4 year, 4 million Euro phase should include Kazbegi NP and Kintrishi PAs. The preferred candidates for the extension are Algeti NP and Pshav-Khevsureti planned PAs. The study team recommends that the programme should support Pshav-Khevsureti only if the Government of Georgia commits to establish PAs in that region. WWF are preparing a grant application to the CEPF to support the preparation of in-depth studies and elaboration boundaries for PAs in the area which will help to secure government approval. If the Government does not give its commitment, support could be switched from Pshav-Khevsureti to another existing or planned PA in addition to Algeti; the study team considers Machakhela planned PA (at the present time the subject of a proposal to GEF V) and one section of the Central Caucasus planned PAs as suitable candidates.

### **Justification for Financial Cooperation**

The programme is justified by the global importance of Georgia's PA network and the urgent need for funds for investment in essential infrastructure and equipment in the selected areas to make them fully functional, and for associated capacity building measures.

### **Programme concept**

The programme aims at achieving structural impacts in the selected thematic areas through investments in selected PAs and at system level. The programme design is closely related to KfW's logframe for EP III.

### **Programme description**

The overall goal of the regional programme is to maintain biodiversity in Armenia, Azerbaijan and Georgia, without negatively affecting the income situation / the livelihoods of the rural population in the long term.

The objective of the country programme is to improve natural resources and protected areas management in Georgia at system level and in selected areas, while at the same time improving the socio-economic situation of the adjacent communities.

The planned results of the country programme are:

- *Planning and management* - the selected PAs have available to them all the planning documents necessary for their development and the promotion of the adjacent communities.
- *PA establishment* - the selected PAs are recognized and have a functional protected area management.
- *Socio-economic development of adjacent communities* - the communities adjacent to the selected PAs benefit from investments in their socio-economic development.
- *Sector modernisation* - the APA's and the selected PAs' systems are strengthened in particular topics of their reform processes according to international standards.
- *Financial sustainability* - the sustainable financing of the PA network is supported.

### **Indicative activities**

The programme is an open programme and investments will be selected after programme start-up. In order to prepare a cost estimate the study team elaborated indicative measures for each of the results areas with the exception of tourism development measures inside PAs and socio-economic development measures to support adjacent communities.

Decisions on the specific visitor and tourist facilities to be funded by the programme should be based on tourism development strategies which will be prepared for each PA with programme funding.

The APA and KfW agreed during the study that investments in the socio-economic development of the support zone will be specified after programme start-up. For the purposes of preparing the cost and financing plan the study team has assumed that 24% of KfW's financing (i.e. 0.96 million Euro in each phase) will be allocated to sub-programmes for investments outside the PAs. We have also assumed that the beneficiaries in the support zones will contribute 10% of the total cost of the investments (in cash or in kind).

### **Target groups**

The target groups of the programme are the staff of the APA and the communities adjacent to the PAs, in particular the communities adjacent to the selected PAs. The APA's staff will benefit from the improved planning systems and procedures, knowledge management system, knowledge and skills and infrastructure and equipment delivered by the programme. The communities adjacent to the selected PAs will benefit from programme financing of investments that will improve their socio-economic situation. Communities adjacent to all PAs will benefit from the application of improved procedures for management planning that will take greater account of the impacts of PA establishment and management on their livelihoods.

## **Implementation structure**

The grant recipient will be Georgia. The MoEPNR will sign the Financing Agreement and Separate Agreement under delegated authority from the President and the Government of Georgia. The Programme Executing Agency will be the MoEPNR. The Programme Implementing Agency will be the APA. The Consultant recommends that a programme management unit (PMU) be established to support the APA. The PMU should be staffed by five permanent national personnel: PMU Coordinator, Socio-Economic Programme Manager, Administrator/Translator, Procurement Manager and Accountant. The PMU should be advised by a permanent but part time international Chief Technical Advisor (CTA).

Establishment and operation of the PMU should be contracted to a consulting company selected in accordance with KfW's tender procedures. The APA should select the consulting company with the support of a tender agent contracted by KfW. KfW and the MoEPNR should sign an agency agreement that assigns responsibility for tendering the contract and contracting the winning company to KfW on behalf of the MoEPNR. The consulting company will be responsible to the MoEPNR/APA and KfW for the cost-effective implementation of the programme. The APA's supervisory functions should be exercised by a Programme Director – a permanent member of staff of the APA – to be nominated by the APA.

The implementation consultant should establish and administer the disposition fund which will finance the measures implemented by programme.

## **Programme management**

### **Programme Operational Manual (POM)**

The PMU Coordinator and CTA will prepare a Programme Operational Manual (POM) in order to govern all aspects of programme implementation and the procedures that the PMU must follow in respect of programme planning and review, selection of investments, procurement, supervision over and acceptance of works and services, acceptance of goods, payments, accounting and internal and external auditing.

### **Programme implementation plan (PIP)**

After the POM has been prepared, the PMU Coordinator together with the CTA should prepare a Project Implementation Plan (PIP) for agreement by the Programme Director. Following the Programme Director's agreement to the project implementation plan the PMU should prepare a procurement plan. The plans should be in two parts: one covering the measures to support the selected PAs and the PA system; the other covering the socio-economic development sub-programmes in the territories surrounding the selected PAs. Visitor and tourist facilities should be included after the measures have been specified on the basis of the tourism development strategies prepared under the programme.



## **Selection of measures**

Investment decisions should be made in the framework of the following categories of investment:

1. Preparation / improvement of planning documents.
- 2a. Installation / improvement of administration and protection infrastructure.
- 2b. Installation / improvement of PA visitor services infrastructure.
3. Equipment of park administration and other relevant actors.
4. Investments in the socio-economic development of the support zones.
5. Public relations and similar work.
6. Capacity building for APA staff/ improvement of planning systems and procedures
7. Programme management including running costs.

The indicative measures elaborated which the study team elaborated as a basis for the cost tables and the tourism development strategies prepared in the first stage of the programme will serve as a starting point for selecting system-level investments and investments inside the selected PAs. The PMU should elaborate criteria and agree them with the APA and KfW. The criteria should be designed to demonstrate the measures' relevance to the investment categories and results areas and their contribution to the planned results. In addition, in cases where it is practical to do so, measures should be subject to a quantitative appraisal using standard methods such as internal rate of return and net present value.

The PMU should design the socio-economic development sub-programmes after the socio-economic surveys have been carried out and the tourism development strategies are elaborated for the selected areas. The sub-programmes should specify the division of the funds by PA and purpose, the mechanism for identifying possible investments (e.g. through a small grants programme and/or through identification jointly by the PMU and the communities), and the mechanism and criteria for selecting investments.

## **Procurement**

The PMU shall procure all goods, works and services in accordance with rules that will be specified in the Separate Agreement and Programme Operation Manual. The rules will specify: the circumstances in which the PMU may procure goods, works and services without a tender and the circumstances in which a tender will be mandatory; the circumstances in which the MoEPNR/APA's and KfW's agreement or no objection is required before the PMU may proceed with a procurement.

**Supervision over the implementation of measures**

The PMU Coordinator should supervise implementation of measures at system level and inside PAs jointly with the APA. The Socio-Economic Programme Manager should supervise measures implemented in the socio-economic sub-programmes.

**Acceptance and handover of completed measures**

The PMU Coordinator should inspect completed goods, works or services and prepare and sign an acceptance act and submit it to the Programme Director. Upon signature by the corresponding representative of the APA the measure will have been formally accepted by the APA and any goods and works included in the acceptance act will become the property of the APA. Any reports procured by the programme will be the joint intellectual property of KfW and the APA. In the case of the socio-economic sub-programme the acceptance act should be signed by the beneficiary organisation. In the case of measures financed under a competitive grant scheme the beneficiary will sign a completion act and submit it to the Socio-Economic Programme Manager together with a request for any remaining part of the grant to be paid. The POM should specify arrangements for independent expertise of completed works and received goods to mitigate the risk of underperformance compared with contract specifications.

**Programme monitoring, reporting and review**

The arrangements for programme monitoring, reporting and review should include:

- monthly activity reports and quarterly technical and financial progress reports from the PMU to the APA and KfW through the CTA;
- 6-monthly reviews of the PIP and revision if necessary, and more frequent reviews if changes in the operating environment or progress with programme implementation require it;
- monitoring of impacts at the Results Area and Objective levels of the logical framework, by the PMU during programme implementation and by the APA after the programme as ended.

**Cooperation with other relevant actors**

The APA and the PMU should establish mechanisms to ensure that the programmes, projects and activities being implemented by other actors complement each other to the maximum possible extent. The coordination mechanism instituted by the MoEPNR will help to ensure coordination, at least at a strategic level. If the mechanism appears not adequate for coordination at an operational level, the implementation consultant together with the APA should institute arrangements that address the gaps.

## Lessons learned and included in the programme design

The programme design takes into account the practical experience of the Javakheti National Park project in relation to the development of socio-economic programmes to support adjacent communities.

## Programme cost estimate and financing

The cost of the programme is estimated to be as follows (in Euros):

**Phase 1 (years 1 – 4):** Total cost 4,388,000 Euro financed by: KfW 4,000,000; APA 292,000; Beneficiaries 96,000.

**Phase 2 (years 5 – 7):** Total cost 4,744,000 Euro financed by: KfW 4,000,000; APA 648,000; Beneficiaries 96,000.

## Proposed technical assistance inputs

The cost and financing plan for phase 1 of the programme includes 35.5 person months (PM) of short term experts, which are calculated on the basis of 30 active working days per calendar month, due to the character of their assignment. Out of these 18 PM are assigned to the CTA, 6 PM to a pool of international experts, 8.5 PM to a pool of national experts and 3 PM for backstopping.

For the permanent operation of the PMU, 192 months of national long term expert input have been included, calculated on the basis of 20 active working days per calendar month. These comprise 48 calendar months for the National Coordinator, 48 for the Administrative assistant/ translator, 36 for the Socio-economic Programme Manager, 24 for the Procurement Specialist, 24 for the Accountant and 12 for unallocated expert needs that might occur during the course of the programme. With reference to the Javakheti project APA appraises a higher demand of the work input of the accountant and procurement specialist and therefore suggests decreasing the CTA time to 15 months. A final agreement shall be achieved in the bilateral negotiations between the MoEPNR/APA and KfW and specified in the Separate Agreement.

Phase 2 includes provision for 29.5 PM of short term experts. Out of these 12.5 PM are assigned to the CTA, 4.5 PM to a pool of international experts, 9.5 PM to a pool of national experts and 3 PM for backstopping.

The estimated total costs of consulting services that would be provided by the implementation consultant (PMU costs and consulting services other than those paid by APA or from the disposition fund) are:

- Phase 1: 1,055,000 Euro
- Phase 2: 631,000 Euro

In addition to the above technical assistance inputs, 32 months of APA staff time are assigned to the implementation of programme measures in phase 1 and in phase 2 in the cost and financing plan. The APA will also provide and maintain office space, maps

and other relevant documents and data, and finance the running costs of the selected PAs.

### **Estimation of implementation costs**

The estimated implementation costs amount to about 1.775.000 Euro.

## **Financial arrangements**

### **Disbursement of funds**

The disbursement of Consulting Services shall be made under the Direct Disbursement Procedure. For all other project components disbursement shall be made under the Disposition Fund Procedure.

The disposition fund account should be kept in Euros to hedge against the risk of currency devaluation. The implementation consultant should open a special account in a bank in Tbilisi in order to simplify the operation of the PMU and the project implementation process.

### **Payments to beneficiaries**

Payments to beneficiaries will consist in most cases of payments for goods and materials, or for technical services. Disbursement of these payments should be made through the PMU upon invoice from the providers. All payments should be enacted only after a thorough check for consistency with contract specifications.

### **Financial monitoring**

The implementation consultant must operate an adequate financial management and controlling system in order to meet the requirements of KfW's Disposition Fund Procedure. The implementation consultant shall prepare financial management guidelines which will form part of the POM. An audit of the disposition fund should be performed annually by an independent auditor.

## **Programme benefits**

### **Ecological Benefits**

The Programme will result in better protection and more sustainable use of the ecosystems on which the communities living in and around the PAs depend. The communities will benefit in the long term from ecologically sustainable natural resources management practices which can be introduced by the PA management regime with the support of the Programme.

The Programme will provide the APA and the PA administrations with the means to conserve the ecological values of the selected PAs, help Georgia to meet her national biodiversity conservation objectives and her obligations under the Biodiversity Convention and other MEAs, and make a significant contribution to achieving the vision of the ECPC.

### **Financial Benefits**

The areas selected for the programme have considerable opportunity for attracting tourists. Kintrishi is in Adjara which, at the current time, is Georgia's only real mass-tourist destination and Kazbegi's impressive mountains and relative proximity to Tbilisi make it one of the key destinations for adventure and conservation tourism. Algeti is only about 60 minutes out of Tbilisi and so should be able to expand its visitors for day-trips and breaks from the city in the summer. Pshav-Khevsureti is hard to assess at this point because of the relatively poorly developed transportation infrastructure. Thus, financial benefits will flow to the PA system from higher levels of spending on visitor services provided by the PAs supported by the programme and increased amounts of fees paid to the PAs by service providers.

However, it is not clear whether the increased financial flows from tourism will make the PA system significantly more sustainable. The PAs currently generate fairly insignificant revenue from visitors. In 2009, even though visitor numbers were double those of 2008 (according to APA statistics) PA revenue did not go up; though this may reflect poor information collection more than anything else. An alternative providing services direct to visitors is for PAs to lease revenue-producing infrastructure to private companies. In Lagodekhi, the visitor centre has been leased by a private firm for USD 12,000 per year on a ten year lease. It would be good to repeat this model in the PAs proposed for the programme but in order that it succeed the site has a fairly large number of visitors, with some staying overnight. Another source of finance would be to levy a tax on visitors by charging an entrance fee or by taxing businesses that benefit from the PA's existence, for example a tax on each visitor night in local guest houses. However, this could be unpopular with visitors and residents, particularly if the charge is significant. It might also be difficult to establish a mechanism for collecting the taxes and ensuring that they were channelled to the APA.

### **Socio-economic Benefits**

Communities adjacent to the selected PAs will benefit immediately from investments made by the programme to improve social conditions at village level. Investments in improving tourist services in the selected PAs and in the adjacent communities will result in the medium term in increased income to small businesses, including family run guesthouses, from higher visitor numbers. The communities living in and around the planned protected areas will benefit in the long term from ecologically sustainable natural resources management practices which can be introduced by the PA management regime.

## **Other Benefits**

The programme will help to build national capacity in the PA sector by employing Georgian staff in the PMU and as short term experts and by involving APA staff in the implementation of programme measures.

## **Assumptions, risks and risk mitigation measures**

The study team assesses the overall level of risk as medium. The most important assumptions – those with a medium or high risk and a low or medium feasibility of mitigation - are the following:

At the level of results areas to project objective:

- The staff turnover experienced by the APA could undermine its capacity to implement improved planning and management systems and procedures implemented by the programme. To mitigate this risk the programme should support the development of systems and procedures that avoid putting substantial additional demands on staff and should provide adequate training.

At the level of activities to results areas:

- There is a significant risk that agreement may not be reached with local people and the government on boundaries for new or extended PAs. To mitigate this risk the programme should use appropriate conflict resolution mechanisms at a local level and the MoEPNR and APA use their informal and formal powers to get government support.
- There is a significant risk that the APA will not be able to fill positions in PAs supported by the programme with qualified staff. To mitigate this risk the programme should invest in training that will provide unqualified staff with the necessary knowledge and skills.

## **Sustainability of the impacts of the action**

The greatest challenge in terms of sustainability will be the operation, maintenance and, in due course, replacement of goods (especially vehicles and other high depreciation goods) and works (administration, protection and tourist infrastructure procured by the programme inside and outside the selected PAs). Investments made by the programme will significantly increase the running costs and maintenance costs of the PAs without increasing their revenue. The APA does not analyse maintenance costs of infrastructure and many types of equipment routinely. However, based on the APA's running costs for vehicles the new vehicles included in the programme will increase maintenance and running costs by around 50,000 Euro per year and the horses by around 102,000 Euro per year.

The APA expressed confidence that the state budget would meet any maintenance costs associated with new capital investment and indicated that budget increases upon acquisition of new capital were more-or-less automatic. This does not seem plausible given the increasingly harsh financial constraints of the Georgian budget. It will be es-

essential that long-term financial planning will be developed alongside plans for capital expenditure and that the appraisal of individual measures pays careful regard to assumptions about future income and expenditure to the PA network.

### **Suggested financing agreement and disbursement pre-requisites**

In addition to the conditions that usually apply to KfW grants, the financing agreement should provide for the following:

1. adequate provision by the recipient to pay for the operational costs of the protected areas financed by the programme;
2. provision by the recipient of a fully costed proposal including a financing plan before the programme invests in equipment for the central apparatus;
3. financing of the Pshav-Khevsureti PA in the second phase of the programme to be conditional on certain milestones being achieved during the first phase.

### **Final vote**

In the Consultant's judgement the programme presented in the report is feasible in terms of completing the measures and achieving the results indicators and objective indicators. The risk of the assumptions from objective to overall goal not holding is significant but not so high as to jeopardise the programme. In order to mitigate the risk to sustainability brought by additional maintenance and running costs, investments in infrastructure and equipment should be made only after a thorough appraisal based on realistic assumptions about future running costs, income generated by the investment, and funding from the state budget.

## **1. INTRODUCTION**

### **1.1 Study background and purpose**

The following report concludes the consulting services for the preparation of a thematic based programme for the Georgia component of Phase III of KfW's Ecoregional Nature Conservation Programme (EP) for the Southern Caucasus.

The EP is German Financial Cooperation's contribution to the nature protection component of the German Government's Caucasus Initiative (BMZ, 2005). The goal of the EP is to improve natural resources and protected areas management in selected areas in the South Caucasus, while at the same time improving the socio-economic situation of the adjacent communities. The EP is comprised of country components in Azerbaijan, Armenia and Georgia and a regional Transboundary Joint Secretariat which is tasked with promoting and supporting the implementation of new and improved approaches to nature protection in the region. The EP is currently in its second phase, in which KfW is financing the creation of new protected areas in Armenia, Azerbaijan and Georgia. The Transboundary Joint Secretariat will start a new, four year phase in January 2011.

The Government of Germany has agreed to provide 4 million Euros over four years to the Government of Georgia in a third phase of the EP. The original concept for the third phase was the creation of a biosphere reserve in the Kazbegi region of Georgia. KfW and the MoEPNR agreed to change the concept in the light of the feasibility study carried out in 2009. At the request of the MoEPNR KfW commissioned a follow-on study - the subject of this report.

The purpose of the study was to design a feasible concept for the implementation of a thematic programme with the overall objective of improving protected areas management and natural resource use. The thematic focus of the programme was to be defined in accordance with the needs of the PA system and on the basis of a problem analysis. The thematic focus would serve to guide the selection of measures during programme implementation. The programme design would address the following parameters:

- the socio-economic development of communities adjacent to PAs an indispensable but supplementary goal to achieve the overall objective of the programme;
- designed to contribute to the improvement of the effectiveness and efficiency of the entire system, demonstrate new and improved concepts in selected PAs and at the same time address gaps in management effectiveness of the selected PAs, and establish new PAs if that would be possible within the programme's budget;
- designed to utilise the 4 million Euros already committed by the Government of Germany and with a scope that could utilise a further 4 million Euros which will be the subject of the intergovernmental negotiations planned for 2011.



## 1.2 Execution of the Study

The study was commissioned to DFS/AGEG (the Consultant) by KfW on behalf of the Agency for Protected Areas (APA). The Consultant undertook a field mission in September and October 2010; the mission was preceded by kick-off meetings with KfW in Frankfurt on 27 August and with the APA in Tbilisi on 31 August.

Two weeks after the start of the mission the Consultant submitted an Inception Report setting out a problem analysis and the study team's proposals for the thematic focus of the programme and the PAs which should be supported by the programme. The Consultant's proposals were agreed by KfW and the APA. The field mission concluded with a leaving meeting in Tbilisi on 22 October at which the study team and the APA discussed the key features of the programme design proposed by the study team.

The Consultant submitted a first "executive summary" of the final report of the study in English to the APA and KfW on 27 October. The Georgian translation of the first "executive summary" was submitted to the APA on 1 November. The Consultant discussed the summary with KfW at a meeting in Frankfurt on 28 October. The Consultant submitted the English text of the draft final report and the annexes to the APA and KfW on 17 November. The draft final report was submitted to the APA in Georgian on 23 November and the annexes on 29 November. This final report takes into account the comments which the APA and KfW made on the draft final report and annexes.

Throughout the study the Consultant was given excellent support and assistance by the Ministry of Environment Protection and Natural Resources, Agency for Protected Areas and other relevant agencies. The officials of local entities of state organisations, officials of local self governing bodies and householders with whom the Consultant met during the study provided generous support and hospitality.

## 2. SITUATION ANALYSIS

### 2.1 Location and extent of the programme area

Georgia lies in the west of the southern part of the Caucasus region. The Caucasus region is one of the WWF Global 200 Ecoregions<sup>1</sup>, one of Conservation International's 34 Global Hotspots<sup>2</sup>, and one of the World's 221 Endemic Bird Areas<sup>3</sup>. The region has extremely high plant and animal diversity and a high level of endemism.

Georgia holds the major part of the region's biodiversity with almost all Caucasus ecosystems and habitats represented and a high number of globally threatened species. Georgia's biodiversity has come under severe threats following the breakup of the Soviet Union with the economic collapse and the decline of the rule of law and order that accompanied it. The main threats are the unsustainable logging of forests, over-grazing of pastures, poaching of wildlife, the cultivation of wetlands, and the inappropriate siting of built development including transport infrastructure and industrial development. Some parts of the country that are especially important for biodiversity could be threatened by mass tourism, for example Stepantsminda municipality, where Kazbegi National Park is located. These threats are compounded by the latent danger of climate change.

Georgia's main strategy for biodiversity conservation is the development and management of its network of protected areas. The first nature reserve in Georgia was established in 1912, and another 14 strict nature reserves and five hunting reserves were subsequently established during the Soviet era. Since independence, Georgia has undertaken an ambitious programme of expanding the network of protected areas. This programme is composed of a series of national and international projects, mainly targeting investments at individual protected areas and capacity development at national and site level. The PA network has grown to include fourteen strict nature reserves, eight national parks, fourteen national monuments, twelve managed nature reserves and two protected landscape covering about 493 988 ha of land or 7.1 % of the country's territory (see Annex 2); for comparison Germany's coverage of PAs is 21.3%, Europe 7.5% and the USA 14.6%<sup>4</sup>.

### 2.2 Policy framework for PA management

#### 2.2.1 Policies stemming from international agreements

Georgia is party to the following multi-lateral environmental agreements (MEAs) that are relevant to protected areas: the UN Convention on Biological Diversity (CBD), Bonn Convention on Migratory Species, Ramsar Convention on Wetlands, UN Framework

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<sup>1</sup> [http://www.panda.org/about\\_our\\_earth/ecoregions/about/](http://www.panda.org/about_our_earth/ecoregions/about/)

<sup>2</sup> [http://www.conservation.org/explore/priority\\_areas/hotspots/Pages/hotspots\\_main.aspx](http://www.conservation.org/explore/priority_areas/hotspots/Pages/hotspots_main.aspx)

<sup>3</sup> [http://www.birdlife.org/action/science/endemic\\_bird\\_areas/index.html](http://www.birdlife.org/action/science/endemic_bird_areas/index.html)

<sup>4</sup> PA percentages for USA, Germany and Europe taken from the 2005 database "IUCN Categories I-VI and other" at <http://earthtrends.wri.org/>. The figure for Europe is for Europe as defined by the UN (see <http://unstats.un.org/unsd/methods/m49/m49regin.htm#europe>)

Convention on Climate Change, UN Convention to Combat Desertification, World Heritage Convention. Obligations stemming from these agreements are detailed in the TEMATEA Issue-based Module on Protected Areas<sup>5</sup>.

As a member of the Council of Europe and party to the Bern Convention Georgia is committed to implementing the Emerald Network<sup>6</sup> of areas of special conservation interest (analogous to the Natura 2000 network implemented in EU Member States in the framework of the EU Habitats Directive<sup>7</sup>). As a member of the Environment for Europe process and signatory to the resolution which endorsed the Pan-European Biological Diversity and Landscape Strategy<sup>8</sup> Georgia is committed to implementing the Pan-European Ecologic Network.

## 2.2.2 Policies stemming from the European Neighbourhood Policy

An EU-Georgia European Neighbourhood Policy (ENP) Action Plan was adopted in November 2006. Programming of the action plan is by means of 3 year indicative programmes prepared in the framework of the European Neighbourhood and Partnership Instrument, Georgia, Country Strategy Paper 2007-2013<sup>9</sup>. The current indicative programme runs from 2007-2010<sup>10</sup> and the follow-on programme from 2011- 2013<sup>11</sup>. Neither the current programme nor the follow-on programme include actions related directly to protected areas.

## 2.2.3 Policies of the Government of Georgia

### 2.2.3.1 National Biodiversity Strategy and Action Plan

The National Biodiversity Strategy and Action Plan (NBSAP) was adopted by the Government of Georgia in February 2005 with a time horizon of 10 years; the strategy sets out specific actions for the first 5 years. The Strategy's vision includes the following statement:

*"In ten years time, it is envisaged that Georgia will be a country where biological diversity is sustained and rehabilitated within a political, so-*

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<sup>5</sup> See [www.tematea.org](http://www.tematea.org). The TEMATEA Issue-Based Modules were developed by UNEP and IUCN, in collaboration with the UNEP World Conservation Monitoring Centre (UNEP-WCMC) and the IUCN Environmental Law Centre (IUCN-ELC). The Issue-Based Modules are web-based tools that provide a logical, issue-based framework of commitments and obligations from regional and global biodiversity-related agreements.

<sup>6</sup> [http://www.coe.int/t/dg4/cultureheritage/nature/econetworks/Presentation\\_en.asp](http://www.coe.int/t/dg4/cultureheritage/nature/econetworks/Presentation_en.asp)

<sup>7</sup> Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora as amended.

<sup>8</sup> <http://www.pebls.org/index.php?ido=20271085&lang=eng>

<sup>9</sup> [http://ec.europa.eu/world/enp/pdf/country/enpi\\_csp\\_georgia\\_en.pdf](http://ec.europa.eu/world/enp/pdf/country/enpi_csp_georgia_en.pdf)

<sup>10</sup> [http://ec.europa.eu/world/enp/pdf/country/enpi\\_csp\\_nip\\_georgia\\_en.pdf](http://ec.europa.eu/world/enp/pdf/country/enpi_csp_nip_georgia_en.pdf)

<sup>11</sup> [http://ec.europa.eu/world/enp/pdf/country/2011\\_enpi\\_nip\\_georgia\\_en.pdf](http://ec.europa.eu/world/enp/pdf/country/2011_enpi_nip_georgia_en.pdf)

*cial and economic context that favours the wise use of natural resources and adequate benefit sharing through:*

[...]

- 3 *An efficient protected areas network that safeguards biological diversity, that is managed by well-equipped and highly qualified staff and is supported by local communities, and the wider public.”*

The NBSAP's strategic goal for Georgia's protected areas system is “*To develop a protected areas system to ensure conservation and sustainable use of biological resources*”. Specific objectives are:

- To establish an effective protected areas network.
- To improve the process of protected areas planning and management.
- To improve and/or develop financial mechanisms for protected areas.
- To set up a data base of Georgia's protected areas.
- To increase the level of political support and develop cross sectoral cooperation within the Government.
- To increase international and transboundary cooperation.
- To improve education and interpretation for visitors to protected area.
- To develop ecotourism potential within protected areas.
- To increase the involvement of local communities in the planning and management of protected areas.

The actions set out in the NBSAP have been overtaken for all practical purposes by the National Protected Areas System Development Strategy and Action Plan (see below). The MoEPNR is preparing a new NBSAP and aimed to publish it before the end of 2010. However, the new NBSAP was not available by the finalization of this study.

### **2.2.3.2 National Protected Areas System Development Strategy and Action Plan**

The National Protected Areas System Development Strategy and Action Plan for Georgia (NPASDSAP) was prepared by the APA with support of the IUCN Programme Office for the Southern Caucasus and WWF Caucasus. At the time of writing this report the document had no formal status. The APA informed the Consultant that it intends to adopt the document by an order of the Chairman of the APA. Although the NBSAP takes legal precedence over the NPASDSAP, the APA informed the Consultant that the NPASDSAP is the de facto guiding document for the MoEPNR and APA.

The vision of the NPASDSAP is more substantial than that of the NBSAP:

*“In ten years Georgia will have the network of protected areas that ensure protection and conservation of biodiversity of the country. Protected areas will be managed by fully equipped and skilled personnel. PAs will be financially sustainable. Local communities and stakeholders are involved in the planning and management of PA at higher degree. Existing legislation is advanced and is implemented. Obliga-*

*tions born by Georgia by international conventions and agreements are met or will be in progress. Research and monitoring system is established and successfully works. Use of natural resources is sustainable within PAs. Public awareness is high”.*

The NPASDSAP sets out 22 objectives, grouped under 7 strategic goals, namely:

- Develop the PA system.
- Advance and refine legislation on PAs.
- Improve PA management.
- Ensure financial sustainability.
- Capacity building.
- Develop a research and monitoring system.
- Involve stakeholders in decision-making and raise public awareness.

Many of the measures in the NPASDSAP are founded on the Eco-regional Conservation Plan for the Caucasus (ECPC) (Williams et al, 2006). The ECPC - an action plan for conserving the biodiversity of the Caucasus eco-region - was prepared by a multi-disciplinary expert coordinated by WWF. It is currently being revised: for the most part the revision is a reorganisation and rationalisation of the results and activities in the current plan and an updating to take account of the progress that has been made towards achieving the results of the current plan. The ECPC does not bind the governments of the Caucasus countries but it received political support from the environment ministers of the South Caucasus countries at a conference organised by BMZ in Berlin in 2006.

## **2.3 Policies and programmes with links to the PA sector**

### **2.3.1 Regional development**

The State Strategy for Regional Development of Georgia for 2010-2017 (Government of Georgia, 2010) sets out the following principles in relation to protected areas and their role in the sustainable development of the regions:

- Social, economic and cultural rights as well as traditions of local people should be taken into consideration in the process of creating, and in the management of, protected areas.
- In parallel to establishment of protected areas, social projects should be implemented in order to improve the social and economic conditions of the local population. Social projects will support the creation of alternative income sources for the local population (such as eco-tourism development, building of guesthouses and bars/restaurants, hiring guides, etc.)
- Regional administrations should consider the possibilities of the local population's involvement in touristic activities within the territories of protected areas; the role of the local population should be clearly defined in the development strategies of regions.

- The interests of local self-government units and the local population should be taken into consideration and protected while defining and creating the categories of protected areas.

### 2.3.2 Tourism

Protected areas play quite a significant role in the National Tourism Development and Investment Strategy for the Republic of Georgia (NTDIS) (America – Georgia Business Council and SW Associates, 2008). The NTDIS promotes the concept of “The Georgian Way” – a network of destination “hubs” and “spokes” which include regions in which PAs are located (Figure 1). The NTDIS notes that *“With [such a large proportion] of the country reserved for National Parks and Protected Areas, Georgia is well positioned to be internationally competitive in this sector. It is intended that [...] PAs will play an integral role in the planned new tourist route, “The Georgian Way”, and will be marketed in a correspondingly prominent manner. The developmental and marketing emphasis will be to promote Georgia as a major cultural, heritage and nature-centred tourism destination.”*

The NTDIS also states that *“the [Georgia National Tourism Agency] will work with the [national park administrations] to improve the utilization of visitor facilities within the [national parks]. This would build on the recent GEF, WWF and other donor supported investments in Borjomi, Lagodekhi, Kolkheti and elsewhere. A concessions policy should be encouraged in which visitors pay entrance fees and spend money at carefully developed concessions. These would help generate much needed financing – a mutually self-reinforcing and sustaining process”*.

While in the above respects the NTDIS is complementary to PA development and management policies it may have a negative impact on plans to expand the network in regions where the government is promoting the development of mass tourism, for example Svaneti.

Figure 1: The concept of the Georgian Way presented in the NTDIS.



### 2.3.3 Energy policy

Georgia's policy for satisfying domestic energy demand is to utilise hydro-power, including the construction of new hydro-power plants (Parliament of Georgia, 2006). Much of the potential for large scale hydro-power generation is in areas where the MoEPNR and APA are proposing to establish new PAs.

### 2.3.4 Other aspects of policy

The 2009 RAPPAM assessment of Georgia's PA system identified the following problems in the policy environment:

- Environmental protection goals are not incorporated into all aspects of policy development.
- Communication between ministries responsible for natural resources management is low.
- National policies do not promote sufficiently widespread environmental education at all levels.
- Sustainable land management is not promoted by national policies.
- The full array of land conservation mechanisms is not promoted by national policies.
- There is inadequate environmental training for governmental employees at all levels

## 2.4 Legal and institutional framework

The establishment and management of PAs is governed by the Law “on the System of Protected Areas” (1996) as amended (hereinafter Protected Areas Law). The Protected Areas Law provides<sup>12</sup> for the following 6 types of PA to be established:

- Strict Nature Reserve, corresponding to IUCN Category Ia (Strict Nature Reserve: managed mainly for science).
- National Park, corresponding to IUCN Category II (National Park: protected area managed mainly for ecosystem protection and recreation).
- Natural Monument, corresponding to IUCN Category III (Natural Monument: protected area managed mainly for conservation of specific natural features).
- Managed Nature Reserve, corresponding to IUCN Category IV (Habitat / Species Management Areas: protected areas managed mainly for conservation through management intervention).
- Protected Landscape, corresponding to IUCN Category V (Protected Landscape / Seascape: protected area managed mainly for landscape / seascape conservation and recreation).
- Multiple Use Area, corresponding to IUCN Category VI (Managed Resource Protected Area: protected area managed mainly for the sustainable use of natural ecosystems).

The Protected Areas Law provides<sup>13</sup> that internationally recognized categories of PA such as Biosphere Reserve<sup>14</sup>, World Heritage District and Wetlands of International Importance may be established in Georgia.

As well as regulating categories of PA the Protected Areas Law regulates land ownership in PAs, designation of PAs, issues of management, regulation of prohibited and permitted activities, issues of cooperation and co-management, and funding and liability issues.

Responsibility for planning the system of PAs is vested in the Ministry of Environment Protection and Natural Resources (MoEPNR) and the APA<sup>15</sup>. Responsibility for approving new PAs, extensions to existing PAs, re-categorisation of PAs and cancellation of PAs rests with the Parliament. Decisions to establish new PAs and to extend, re-categorise or cancel PAs are based on proposals prepared by the APA and submitted to the Government by the MoEPNR.

Rights and restrictions in PAs and sanctions against offenders are regulated by the Criminal Code and the Administrative Law Code as well as the Protected Areas Law.

The Protected Areas Law provides that PAs are managed by the APA<sup>16</sup> and that the APA is authorized within its power: to manage the Strict Nature Reserves, National

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<sup>12</sup> Law “on the System of Protected Areas” paragraph 3(1)

<sup>13</sup> Law on the System of Protected Areas, paragraph 3(2))

<sup>14</sup> The Law on the System of Protected Areas defines characteristics of a Biosphere Reserve that are different in some important respects from the UNESCO concept of Biosphere Reserve.

<sup>15</sup> Law on the System of Protected Areas, paragraph 13(3).

<sup>16</sup> Law on the System of Protected Areas, paragraph 18(2).



Parks, Natural Monuments, Managed Nature Reserves, Biosphere Reserves, World Heritage Districts and Wetlands of International Importance; to manage the Protected Areas together with other organizations and in exceptional cases the separate zones of Managed Nature Reserves, Biosphere Reserves, World Heritage Districts and Natural Monuments; and to control the Multiple Use Areas<sup>17</sup>.

The powers and duties of the APA are regulated by the Regulation of the Protected Areas Agency approved by Order N 96 Of the Minister of Environment Protection and Natural Resources of Georgia January 28, 2008, On Approval of Regulation of Protected Areas Agency (hereinafter Regulation of the APA).

The Protected Areas Law and the Regulation of the MoEPNR give powers to the Minister to establish special commissions to examine complaints and to resolve conflicts. One such case has occurred in Borjomi-Kharagauli National Park where there are some boundary conflicts between the national park, local municipality and private owners. Three commissions were formed: one intersectoral, two by order of the Minister (MoEPNR). The commissions provided recommendations for adjusting the boundary.

The Protected Areas Law and the Regulation of the APA are not clear with regard to the institutional arrangements for managing protected landscapes / seascapes, multiple use areas and international designations such as Biosphere Reserves, World Heritage Sites and Wetlands of International Importance. Responsibility for the Tusheti Protected Landscape (one of three PAs in the Tusheti complex) rests with Akhmeta Municipality while responsibility for the Kintrishi Protected Landscape (one of two PAs in the Kintrishi complex) rests with the APA.

The concept of a support zone is not fully developed in law and in practice. Georgian legislation provides that support zones may be established around certain categories of PA in the form of a Multiple Use Area (itself a category of PA in the Georgian system of PAs). The legislation also provides that arrangements for coordinating the management of the support zone may be specified in a special programme approved by the decree of the President of Georgia. The APA does not have general powers to implement measures in support zones. The Law on the System of Protected Areas states that PA management plans should include measures in the support zone; however, the Regulations of the APA provide only that the APA should monitor multiple use areas and do not give powers to the APA to prepare management plans for multiple use areas.

Until recently the legal framework did not allow the APA to retain and reinvest income from concessions. The legal framework was amended in 2010 and this allowed the APA to benefit from a concession which it granted over the visitor accommodation in Lagodekhi PAs in August of 2010. Now the situation is that the APA can retain and reinvest all profits from the tourism services which it provides and from concessions. Payments for the use of natural resources – e.g. fuel wood – are paid into the state budget account or municipality account.

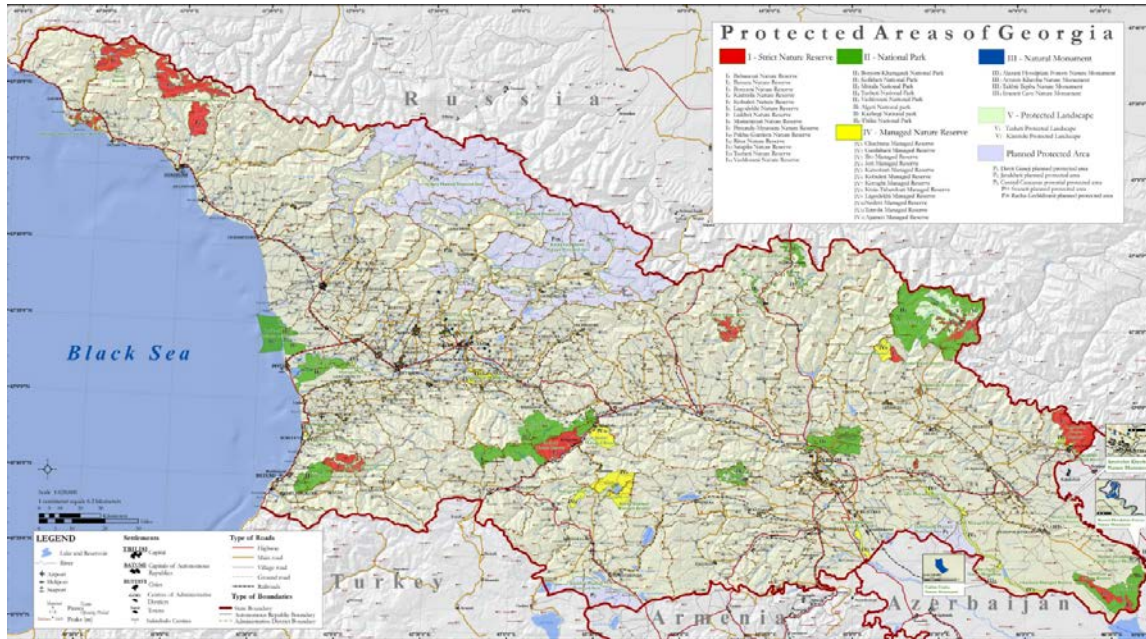
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<sup>17</sup> Law on the System of Protected Areas, paragraph 18(2).

## 2.5 Extent and representativeness of the PA network

PAs existing as at November 2010 are listed in Annex 2 and shown in the map in Figure 2. A complex of new PAs is in the process of being established in the Javakheti region with financing from KfW's EP II.

**Figure 2: Georgia's protected areas network<sup>18</sup>**



The 2009 RAPPAM assessment of Georgia's PA system (see section 2.6.1) identified the following weaknesses:

- The PA system cannot adequately protect against the regional extinction of species.
- The level of primary exemplary and intact ecosystems in the PA system is low.
- The area that is protected is insufficient to maintain natural processes at the landscape level.

The following additional PAs and extensions to existing PAs are needed to provide for full representation of the biomes present in the country and the eco-region and to give effective protection to priority species:

**Pshav-Khevsureti.** Pshav-Khevsureti is part of the Khevi-Tusheti Priority Conservation Area (PCA) of the ECPC. Establishment of a PA is a priority of the ECPC and NPASDSAP and will fill the important gap between Kazbegi National Park to the west and the Tusheti complex of protected areas to the east in Georgia's Mountain biome. In 2009 a commission established by the MoEPNR prepared a proposal for a complex of PAs totalling 117,000 ha in the area. A detailed description of the area is in Annex 4.

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**Machakhela.** Machakhela lies in the West Lesser PCA of the ECPC on the border with Turkey and close to the existing Mtirala National Park and Kintrishi Nature Reserve and Protected Landscape. Establishment of Machakhela PAs will consolidate the network of PAs in the region, fill an important gap in the representation of the forest biome, and connect the network with the Jamili Biosphere Reserve in Turkey.

**Central Caucasus.** The Central Caucasus spans the Svaneti, Lechkhumi and Racha regions of Georgia. Establishment of the Central Caucasus PAs is a priority of the ECPC and NPASDSAP. It would more than double the area of protected areas in Georgia and would add substantially to the representation of the Forest and High Mountain biomes in the PA network.

**Extension of Kazbegi National Park.** Kazbegi National Park was established in 2007 on the basis of the former Kazbegi Strict Nature Reserve with provision for a substantial extension. Extending the area under legal protection formed part of the feasibility study for the establishment of a biosphere reserve in Kazbegi region. An extension is needed in order to increase representation of the mountain biome in the PA network. Extending Kazbegi National Park is a priority action in the ECPC and the NPASDSAP.

Biodiversity conservation at the level of the Caucasus eco-region requires transboundary cooperation between PAs in Georgia and in neighbouring countries. The ECPC identifies the following: Lagodekhi in Georgia – Zakatala in Azerbaijan – Tliaratsinski in the Russian Federation; Javakheti National Park in Georgia - Lake Arpi National park in Armenia; Machakhela planned PA in Georgia – Jamili Biosphere Reserve in Turkey. The MoEPNR has signed a cooperation agreement with the Turkish environment ministry and a working group on transboundary PAs has been established in the framework of that agreement.

## **2.6 Management effectiveness and capacity of the existing protected areas system**

There is no system-wide monitoring system in place and monitoring in individual PAs is not well designed or executed. As a result there is insufficient information from which firm conclusions can be drawn about the performance of the PA network in terms of its primary purpose of protecting biodiversity. An assessment of management effectiveness was carried out in 2009 using the Rapid Assessment and Prioritization of Protected Areas Management (RAPPAM) methodology (Kakabadze and Hayman, 2009; Ervin, 2003). The Consultant carried out a capacity assessment together with the APA during the course of the study. The main findings of the RAPPAM assessment and the Consultant's assessment are as follows:

### **2.6.1 Findings of the 2009 RAPPAM assessment**

The RAPPAM assessment was carried out by staff of the PA administrations with facilitation by consultants. Some of the findings appeared surprising to the Consultant, especially some of those which required PA staff to make a self-assessment of their ad-

ministrations (for this reason that the Consultant asked senior APA staff to make an assessment of the PAs based on selected RAPPAM criteria; the assessment provided a firmer basis for the Consultant to select the PAs proposed in the inception report),

### 2.6.1.1 Pressures and threats

The most important pressures and threats in terms of the number of PA's affected and the impacts are the following:

**Logging.** Identified as a significant pressure for several PAs during the five years preceding the assessment (Borjomi-Kharagauli PAs, Tusheti PAs, Kolkheti NP, Mtirala NP, Tbilisi NP) but declining in significance due to better law enforcement, introduction of higher penalties, increased salary and increased responsibility of PA administration staff and awareness-raising of the local population.

**Grazing.** Legal grazing in traditional use zones of national parks and illegal grazing in other parts of the PA network were identified as a significant pressure and a threat in a number of PAs (Lagodekhi PAs, Borjomi-Kharagauli PAs, Tusheti PAs, Vashlovani PAs, Kintrishi PAs). Related to grazing is the **driving of flocks of sheep through PAs** between winter and summer pastures (Lagodekhi PAs, Tusheti PAs) though PA staff judged that the pressure had fallen during the last 5 years because of the decreasing size of flocks caused by the economic situation.

**Poaching** was identified as a pressure in particular in Borjomi-Kharagauli PAs, Tusheti PAs, Tbilisi NP and Vashlovani PAs. The activities carried out by the APA, including law enforcement, high penalties, increased salaries and increased responsibility of PA administration representatives, were judged to have partially contributed to a reduction in poaching.

**Fire** was identified as a pressure and a threat in most SRs and NPs and in some MRs. Fire was judged to be a very significant threat in Babaneuri SR because of the dry forest habitat.

Other pressures and threats which PA staff considered significant but not widespread are: fishing; invasive alien species; uncontrolled tourism, mining (Kazbegi NP and adjacent areas - sand, diabas, CO<sub>2</sub>; Tbilisi NP - sand and gravel excavation, oil extraction; Navenakhevi NM and Gardabani MR – stone quarrying); infrastructure development (Tbilisi NP, Gardabani MR and Ajameti MR); conversion of land use (Borjomi-Kharagauli NP, Tbilisi NP, Sataplia SR, Kazbegi NP and Ajameti MR); waste disposal (all PAs in which there is significant tourism development).

### 2.6.1.2 Vulnerability

According to the RAPPAM assessment of Georgian PAs the vulnerability<sup>19</sup> of most PAs is not more than moderate and is very low for some. The main factors underlying the

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<sup>19</sup> In the RAPPAM methodology the assessment of PA vulnerability includes: a) difficulty in monitoring of illegal activities within PA; b) low law enforcement; c) corruption; d) civil unrest and political instability;

vulnerability of Georgia's PAs were judged to be the difficulty in controlling illegal activities, the market value of PA resources and the easy accessibility of protected areas. PA staff concluded that the problems identified in the vulnerability assessment showed that protection activities needed to be increased.

### 2.6.1.3 Management effectiveness at the PA level

Key points regarding management effectiveness identified by the RAPPAM assessment are the following:

**Planning** (protected area objectives, legal security and protected areas design): inconsistency of management policies and plans with the PAs' objectives; mismanagement of land in surrounding areas; inadequate boundary demarcation.

**Inputs** (staffing, communication and information, infrastructure and finances): significant weaknesses with regard to communication equipment, data availability, data collection, data processing, level of staffing, knowledge and skills, training, transport infrastructure, field equipment and staff facilities, maintenance of equipment and financing.

**Processes** (management planning, management decision making, research, evaluation and monitoring). APA staff identified the following weaknesses: absence of management plans and baseline information; no strategies for tackling identified pressures and threats; the annual work plans prepared by PA administrations do not contain specific targets for achieving management objectives (mostly the targets defined in annual plans are simple and achievable and do not require significant financial inputs); involvement of local people in decision making is low; monitoring and research is less than needed.

**Outputs.** APA staff judged that the PA network was under-performing on the following output indicators: habitat restoration, wildlife management, provision of infrastructure, management planning, surveys and tourism management.

### 2.6.1.4 Management effectiveness at the system level

The RAPPAM assessment identified a number of significant strengths including the following:

- National PA policies clearly articulate a vision, goals and objectives for PA system (see section 2.2.3).
- PA-related laws and ordinances are effectively enforced at most levels (though there is a need for additional input to make it effective at all levels).
- National policies foster dialogue and participation with civil and environmental NGOs.

Weaknesses identified by the RAPPAM assessment are the following:

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e) conflicts with beliefs and traditional uses in conflict with the PA objectives; f) high market value of PA resources; g) easy accessibility of PA for illegal activities; h) strong demand for vulnerable PA resources; i) pressure on PA managers; j) difficulties in recruiting and retaining employees.

- There is no comprehensive inventory of the biological diversity in Georgia.
- There is no assessment of the historical range of variability of ecosystem types in the country.
- The level of existing restoration targets for under-represented and /or greatly diminished ecosystems is very low.
- The level of ongoing research on critical PA-related issues is low.
- Reviews of the PA system for gaps and weaknesses are low.
- PA-related laws do not fully complement PA objectives and cannot ensure effective management of PAs.
- The existing training and capacity-building programme for PA staff is not effective.
- Evaluation of PA management, including management effectiveness, is low.
- Commitment and funding to administer the PA system effectively is not sufficient.

### **2.6.2 Consultant's assessment of the capacity of the APA**

The study team carried out an assessment of the APA's capacity against 35 criteria based on a capacity assessment template used by KfW<sup>20</sup>. While the assessment revealed several strengths it also identified some weaknesses that significantly affect the APA's capability.

Particular strengths are:

- The APA's strong formal and informal relationships with the national government have enabled it to expand the PA network and to defend itself against budget cuts in a difficult financing climate.
- The APA has a firmly established legal status as a legal entity of public law; its functions, rights and responsibilities are clearly defined for the most part (the lack of clarity regarding the management of protected landscapes and support zones being an exception).
- The APA has a simple, unified and clearly defined operational chain of command which facilitates communication from the organisation's senior management team to the PA administrations.
- Coordination of donor funding is now more proactive, with the APA playing a leading role alongside the MoEPNR in a new coordination mechanism which has the potential to channel donor funding more effectively.
- The government's and the APA's formal and informal policies and mechanisms provide consumers and service providers with effective channels for communication with the organisation.

Significant weaknesses are:

- As already noted the law governing the PA system is not clear with regard to the APA's functions, rights and responsibilities in protected landscapes - the largest and most important protected landscape in the network (Tusheti Protected Land-

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<sup>20</sup> Guideline for the Preparation of Programme Proposals for joint Development Cooperation Programmes / Part 2, Annex 4: Capacity Assessment.

scape) is under the responsibility of the municipality; division of authority in complexes of PAs makes effective, integrated management more difficult.

- The law governing the PA system does not give the APA powers to act outside protected areas; the APA is therefore not able to carry out measures in support zones except public outreach and environmental education activities.
- The overall formal structure and basic division of labour is not aligned well to the official mission, core technologies, available resources and operational setting, in particular:
  - the Planning Service is tasked with coordinating the preparation and revision of management plans but has many other unrelated tasks which are given a higher priority;
  - there is insufficient provision for the task of monitoring the performance of PAs in terms of meeting their conservation objectives and the selection of conservation strategies;
- There is insufficient provision for multi-annual financial planning for the system and individual PAs.
- There are frequent divergences in the day-to-day functioning of the organization from the official “organogram” and work programming schemes. There is no slack capacity and any divergences result in delays to programmed tasks.
- Senior, middle and project level management positions are not adequately filled with appropriately skilled and motivated managers. 8 positions in the Agency’s central apparatus are currently vacant, 3 of them are division heads and with one vacancies out of four positions in the planning service division and two vacancies out of 3 in the juridical services, these sectors are understaffed. Less than 20 % of the staff are specialists in biology or ecology and only one member of staff has a background in natural resources management. Existing capacity in the APA central apparatus regarding GIS and legal services are not sufficient to run both normal and programme activities. Although the APA has experience in procurement it does not have the capacity to manage procurement for a large programme in addition to managing its regular procurement programme.
- The APA lacks basic management information systems; for example, in order to get an annual expenditure and income statement for an individual PA the Economics Division has to undertake a laborious manual task; such PA monitoring information as exists is not easily accessible.
- Financial planning systems and procedures are aligned with the government’s annual budgeting cycle. Budgets are prepared for one year ahead. There is no policy of multi-annual financial planning. Existing financial management systems are adequate for one year budgets but are not capable of supporting multi-annual planning.
- The staffing levels and knowledge and skills of staff in the PA administrations are not matched to PA management functions and work plans. Out of the 18 PA directors, only 1 has a professional background in biology/ecology. 6 have professional backgrounds in forestry and/or the timber industry. The professional backgrounds of the other directors are in law, business administration and economics, technical engineering and politics and communication. There are 21 natural resource spe-

cialist positions in the PA administrations; 3 are vacant. Of the 18 in position, 6 have relevant experience. The natural resources specialists are the primary resource in the PA administrations for planning conservation activities and monitoring the conservation status of habitats and species.

- Generic job descriptions for each staff position are set out in the Regulation of the Chairman of the Agency for Protected Areas “on Approving Rights and Obligations and Qualification Requirements for the Staff of the Agency of Protected Areas”. The job descriptions specify functions, skill requirements and qualifications but not tasks, activities and performance standards. Tasks and activities are allocated by the Deputy Heads to the Heads of Services and by the Heads of Services to their staff on a weekly and sometimes daily basis. The establishment scheme does not enable staff at head of service level and below to organise their time to exercise the functions specified in the job descriptions. The job descriptions of PA administration staff are not reflected in the qualification profile, which results in staff being hired that are not capable of carrying out all of the specified tasks; applying the Protected Areas administration scheme as a blue print in all PAs leads to inefficient structures.
- There is no personnel forward planning, needs-oriented staff training & continued learning, job-performance appraisal and improvement, sound scheme of career ladders and promotional procedures, associated career planning and development machinery.
- The APA lacks strategic planning capacity: it is not able to do realistic forecasting of key planning parameters (future demand, future resources and policy guidance, etc.), to formulate sound intermediate and long-term growth and performance objectives, and draft appropriate and feasible development strategies and programmes.
- There is no knowledge management system as such. Agency staff compile required files onto an ad-hoc folder on the server by copying them from individual computers. This means it is currently impossible to get an overview over all existing data for one specific protected area or topic unless this is arranged and communicated in advance. Also monitoring of PA performance against management plan objectives is weak and findings from monitoring and research projects are not fed into the PA management cycle.

Underlying many of the weaknesses is inadequate financing of the system.

### **2.6.3 Financing of the PA system**

#### **2.6.3.1 State budget financing**

The total budget for the PA system for 2008 and 2009 (state budget and donor funding) averaged 1.75 million Euro a year. The state budget allocation to the APA (in Euros) was 1.44 millions in 2008, 1.58 millions in 2009 and was projected to be 1.62 millions in 2010 (source: Ministry of Finance, National Budget).



Most of the state budget allocation is spent on the operating costs of the protected areas, by far the largest part on salaries:

**Table 1: State budget allocation.** (Source: APA).

	2008	2009
Salaries	72%	69%
Goods and services	18%	27%
Increase in non-financial assets	10%	3%
Total	100%	100%

The United Nations Development Programme (UNDP) has estimated that Georgia's PA system needs 4.3 million Euro a year to cover basic management costs and investments (UNDP, 2009a). Assuming this figure to be accurate, the state budget allocation to the APA in 2010 meets only 38% of the basic financing need and leaves a gap of about 2.7 million Euros.

The MoEPNR / APA's strategy to ensure sufficient, sustainable funding to pay for recurring costs of management is to supplement state budget funds by accessing the funds on offer from the Caucasus Nature Fund (see below) and to develop mechanisms that will generate income from tourism. The APA will continue to be dependent on donor funding to pay for the incremental costs of expanding the PA network and addressing the structural weakness in the system discussed above.

### 2.6.3.2 Current and pipeline support from donor organisations

The PA sector and in particular the APA receives substantial financial support from a large number of donor organisations. German Financial Cooperation has been the largest single contributor, pursuing a three pronged strategy: financing for establishing new PAs (Borjomi-Kharagauli under EP I and Javakheti under EP II); co-founding and capitalising the Caucasus Nature Fund to co-finance running costs of the PA network; and financing conceptual studies, knowledge sharing, training and capacity building and regional cooperation through the Transboundary Joint Secretariat.

Current and committed support to the PA network is as follows:

- German Financial Cooperation. 2.1 million Euros from 2009 – 2011 for the establishment of Javakheti National Park. 3.5 million Euros in total for the Transboundary Joint Secretariat Phase 2 for the three South Caucasus countries from 2011 – 2014. Capitalisation of the CNF (see below).
- The Caucasus Nature Fund (CNF) co-finances PA running costs, management plan preparation and some capital investments. It is currently contributing 80,000 Euro a year to the costs of Borjomi-Kharagauli National Park. The Fund will contribute 160,000 Euro a year from 2011 and plans to increase its contribution to 320,000 a year from 2013. The PAs which have been selected for EPIII are not part of the CNF's current plans.

- German Technical Cooperation's Sustainable Management of Biodiversity Programme includes support to the APA for developing and installing better management systems at national level and in individual PAs. The only measure supported by the programme so far is preparation of a new management plan for Vashlovani PAs; incremental funding approximately 20,000 Euro, September 2010 – May 2011.
- The UNDP/GEF Catalysing Financial Sustainability of Georgia's Protected Areas Project is developing and piloting income generating mechanisms for PAs and business planning procedures for the PA system and individual PAs. Incremental funding 875,420 USD, 2009 – 2012.
- The UNDP/GEF Ensuring Sufficiency and Predictability of Revenues for the Georgia's Protected Areas System Project is putting money into a sinking fund managed by the CNF and setting up a "business support" group for PAs financed by the CNF. Incremental funding 1 million USD, 2010 – 2016.
- The EU is financing a project to develop and pilot strategies for managing human – wildlife conflicts in Tusheti and Vashlovani PAs; incremental funding 870,000 Euro, 2010 – 2013.
- WWF together with the CNF are financing the preparation of a new management plan for Borjomi-Kharagauli National Park; incremental funding approximately 25,000 Euro, November 2010 – June 2011.
- The US Department of the Interior is financing training for APA staff and the development of transboundary protected areas; incremental funding approximately 100,000 USD per year from 2003 - 2010. A new, four year, phase will start in 2011.
- The State Oil Company of Azerbaijan Republic (SOCAR) is giving 7 million Euro for the development of Kolkheti National Park and Kobuleti PAs as compensation for the impact of a new oil processing facility.
- The Czech Development Agency is financing the installation of renewable energy generation in Tusheti PAs; incremental funding 340,000 USD in 2010.
- The Council of Europe is financing the scoping phase of establishing the Emerald Network in Georgia; incremental funding 100,000 Euro from 2010 - 2012.

The APA is pursuing the following opportunities for donor support:

- The MoEPNR has agreed to include the establishment of new PAs in the area of Machakhela in its bid to GEF V. The MoEPNR is aiming to submit its bid in January 2011.
- The APA is awaiting a decision by the Japan International Cooperation Agency (JICA) to provide funding to make Tbilisi National Park fully functional.
- The MoEPNR has submitted a twinning fiche in the framework of the EU Twinning Programme to the EU delegation in Tbilisi for support for preparing management plans for PAs that are not being supported by other projects and to develop a national PA tourism development and marketing strategy. The EU delegation has reacted positively and the MoEPNR expects the EU delegation to forward the fiche to Brussels for consideration.

Assuming that donor funds are spent evenly over the life of the projects, donor funding which is already committed (excluding the EP III programme which is the subject of this report) will contribute the following amounts to the development and management of the PA network from 2010 to 2015:

**Table 2: Donor support to the development and management of the PA network.**

Year:	2010	2011	2012	2013	2014	2015
Total (million Euro)	1.68	3.14	2.27	2.12	1.92	0.32
Total without SOCAR (million Euro)	1.68	1.74	0.87	0.72	0.52	0.32
Total without SOCAR and KfW Javakheti funding (million Euro)	0.98	1.04	0.87	0.72	0.52	0.32

A large proportion of donor funding is for extending the PA network and installing additional infrastructure and equipment; investments which will increase running costs and thus increase the APA's financing needs. SOCAR's donation alone accounts for 1.4 million Euro a year from 2011 to 2014 (note that the Consultant has assumed a five year programme) and is restricted to two PAs. KfW's financing of Javakheti National Park accounts for 0.7 million Euros a year in 2010 and 2011. A significant proportion of donor funding is to pay for studies, training and capacity building: these are necessary interventions but do not tackle the problem of running costs. In summary, the current profile of donor funding will not close the gap between financing needs and state budget funding.

### **3. THE PROGRAMME**

In accordance with the ToR, in the first step of designing the programme the Consultant carried out an analysis of the strengths and weaknesses in the system in order to identify a key problem. Based on the key problem the Consultant defined the thematic focus of the programme and then selected the PAs which would be supported by the programme.

#### **3.1 Problem identification**

Key problems of Georgia's PA sector are the following:

- The present PA network is not sufficient to protect against the extinction of priority species, the proportion of primary exemplary and intact ecosystems protected by the network is low, and the area under protection is not sufficient to maintain natural processes at the landscape level.
- Many PAs lack the administration and protection infrastructure and equipment which they need in order to fulfil their functions.
- The organization with primary responsibility for managing the network – the APA – does not have sufficient staff to carry out core functions such as management planning and monitoring; staff lack core skills in PA management including in engaging participation of adjacent communities in planning and management; the planning procedures which the APA is implementing do not link short term work planning with longer term objectives and strategies; monitoring is carried out haphazardly and information about changes in conservation values and the effectiveness of PA administration's actions is not being collected or taken into account in PA management planning.

Underlying these problems is a lack of financing: state budget funding is substantially below what the APA needs in order to make the existing PA network fully functional, to establish the new PAs which are needed to complete the network, and to pay for the running costs of PAs to maintain their effectiveness in the long term. Tourism offers some opportunities to generate income to the PA network and adjacent communities but the supply of services is less than demand in terms of quality and quantity. The APA and adjacent communities do not have access to affordable financing to improve the services.

#### **3.2 Thematic focus of the Programme**

The purpose of defining a thematic focus is to help in the selection of measures that will be supported by the Programme. The thematic focus defines the intervention areas where the Programme aims to achieve structural impacts by investments at the system level and in the selected PAs. Investments in the selected PAs will serve to demonstrate enhancements to management of the PA network and help embed the enhancements in the system. Thus, the activities and measures in the selected PAs of the Programme will help to support the development of the whole sector.

Based on the situation analysis in chapter 2 and problem identification in section 3.1 the Consultant proposes the following thematic focus (types of measure are indicated for each aspect of the thematic focus):

- **Participatory Planning / Management.** Management planning policies and procedures, including: participation of surrounding communities in PA planning and management; knowledge management; intellectual and technical capacity at system and individual PA level. Financial planning, including: policies and procedures for developing sustainable financing plans for the system and individual PAs; intellectual and technical capacity at system and individual PA level.
- **PA and community enhancement, in particular through tourism development.** Investments in tourism strategies, infrastructure and marketing that will benefit the PA system, the selected PAs, and the population in the surroundings of the PAs. Investments should include improvements to social infrastructure and the environment of communities that will give visitors a better experience and benefit the communities. Other measures should be allowed in addition to priority investments in tourism development.

In addition to measures that are directly related to the thematic focus, the Programme design includes measures to address significant gaps in the management effectiveness of the selected PAs.

### **3.3 Selection of the PAs to be supported by the Programme**

#### **3.3.1 Selection criteria for PAs to be supported by the Programme**

The study team using the following criteria to select the PAs which would be supported by the Programme:

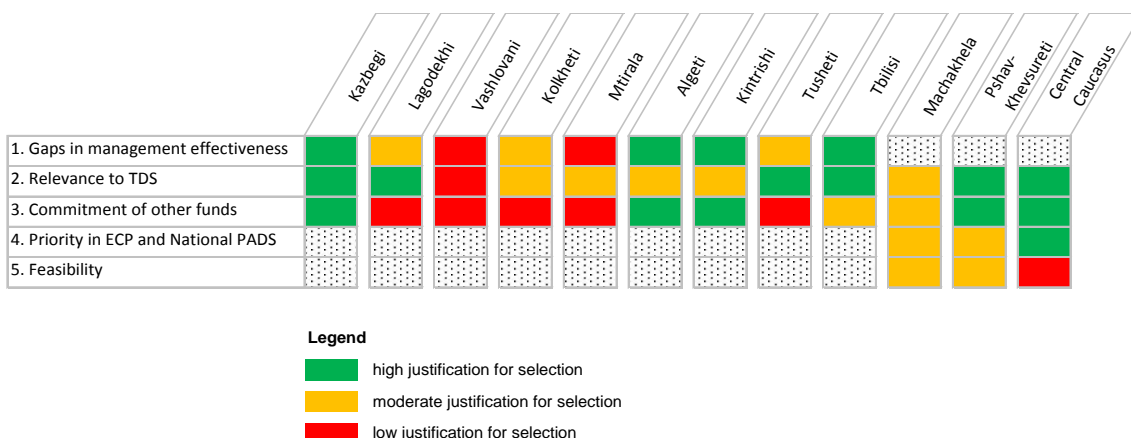
- Gaps in management effectiveness (existing PAs only);
- Relevance to the National Tourism Development and Investment Strategy;
- Commitment of other funds;
- Priority in the ECPC and NPASDSAP (only PAs that are not already established);
- Feasibility (only PAs that are not already established).

The rationale for the criteria are set out in the Inception Report.

#### **3.3.2 Assessment**

The study team assessed nine existing PAs (including Kazbegi, which was used as a reference point) and three planned PAs. The study team excluded Borjomi-Kharagauli National Park from the assessment because of its long history of support from KfW and the current support from the CNF, The results of the assessment are presented in Figure 1. In order to provide a simple, visual impression of the results the scores are colour coded: green for high justification for selection; orange for moderate justification for selection; red for low justification for selection.

**Figure 3: Assessment of PAs against each of the selection criteria.**



Of the existing PAs, leaving aside commitment of other funds, Kazbegi stands out as being most justified for support. Tbilisi is the next most justified. Algeti, Kintrishi, Tusheti and Lagodekhi are in the third rank. However when commitment of other funds is taken into account, Lagodekhi and Tusheti fall out of the picture, leaving (in addition to Kazbegi) Algeti and Kintrishi - neither of which have any donor funds committed - and Tbilisi, which is the subject of discussions between the MoEPNR and JICA.

Of the proposed PAs, Central Caucasus falls out because it is not feasible within the time frame and budget of the Programme. Of the remaining two, Pshav-Khevsureti is more justified than Machakhela on the grounds that the region is a destination spoke in the National Tourism Development Strategy and has no commitments from other donors; Machakhela is the focus of the GoG’s application to GEF V.

The study team recommends that the first 4 year, 4 million Euro phase should include Kazbegi NP and Kintrishi PAs. The preferred candidates for the extension are Algeti NP and Pshav-Khevsureti planned PAs. The study team recommends that the programme should support Pshav-Khevsureti only if the Government of Georgia commits to establish PAs in that region. WWF’s initiative to seek funding from the Critical Ecosystem Partnership Fund (CEPF) to elaborate a detailed proposal for new PAs in the area (see section 3.3.3.4 below) will help prepare the ground for the Programme. However, if the Government does not give its commitment, support could be switched from Pshav-Khevsureti to another existing or planned PA in addition to Algeti; the study team considers Machakhela planned PA (at the present time the subject of a proposal to GEF V) and one section of the Central Caucasus planned PAs as suitable candidates.

### 3.3.3 Situation analysis of the proposed programme areas

The following is a summary of the description of the selected areas which is presented in Annex 4. The analysis was based on the RAPPAM assessment referred to above, an assessment using selected RAPPAM criteria which was carried out by senior APA staff at the request of the Consultant during the study, the Consultant’s findings from the field visit, and in the case of Kazbegi the report of the previous feasibility study.

### 3.3.3.1 Kazbegi National Park

**Biological importance.** Kazbegi NP is part of the Khevi-Tusheti Priority Conservation Area in the ECPC and a relevant stepping stone in the Khevi - Tusheti – Lagodekhi-Zagatala-West Dagestan corridor and Racha-Central Caucasus – Khevi-Tusheti corridor. It is a representative area of the mountain biome. Prominent fauna of the region includes Caucasian goat, chamois, brown bear and wolf. The avifauna is richly represented with several species endemic to the area. Numerous plant and animal species reported from the region are listed in Georgia's Red Data Book.

**Pressures and threats.** The most visible environmental problems are undirected / uncontrolled tourism activities, uncontrolled waste disposal and the sheet and channel erosion marking the steep slopes lining the Tergi River watershed and feeder-streams, caused by excessive livestock activity in the past. Livestock grazing may become a significant threat once again if sheep numbers increase in response to the current, increasing demand from Arab states.

**Management effectiveness.** An assessment of management effectiveness against selected RAPPAM criteria is presented in Annex 5. Critical weaknesses include boundary definition, boundary demarcation, administration infrastructure and equipment, no current management plan, insufficient staff, staff lack knowledge and skills, no systematic monitoring or incorporation of results of monitoring in work plans, no output or outcome targets in the PA's work plans.

**Socio-economic situation of adjacent communities.** The total population of the target area is 2,962 persons (1,366 permanent and 114 seasonal families). 1,096 persons are older than 60 years. The population has decreased by more than 50% since 2005 as a result of lack of job- and economic opportunities with poor prospects for improvement. The population suffers high levels of poverty: according to one report unemployment could be as high as 80%<sup>21</sup>. Subsistence agriculture and livestock (mostly dairy cows) have become the main stay of the local economy after the break-down of the thriving sheep industry and the lucrative produce production using commercial greenhouse operations following Georgia's independence in 1991.

**Tourism potential.** The area offers a wide range of natural, cultural and historical attractions. It is relatively close to Tbilisi and is one of the most popular summer destinations in Georgia. The gross income from tourism in the region amounts to about 440,000 EUR a year (Deutsche Forstservice GmbH / AGEK Consultants eG, 2010). Kazbegi NP administration receives no income from the large number of visitors to the area: the administration does not provide tourism services because it does not have funding to develop the necessary infrastructure and other means of service provision. Given the right framework conditions, the potential of the tourism industry in the region is relatively high. Weaknesses that need to be addressed include: several kilometres of the road between Gudauri and Stepantsminda are in poor condition; lodging facilities

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<sup>21</sup> Figure stated by the Deputy Gamgebeli in an article published in the newspaper "Georgian Daily" on 23 June 2008.

[http://georgiandaily.com/index.php?option=com\\_content&task=view&id=3408&Itemid=134&lang=ka](http://georgiandaily.com/index.php?option=com_content&task=view&id=3408&Itemid=134&lang=ka)  
(accessed on 12 January 2011)

and service in the region are sub-standard; the poor language skills of local people is a handicap for the lucrative foreign tourism market; uncontrolled waste disposal contaminating the Tergi River watershed and side valleys are a major obstacle to tourism development based on a unique nature experience; emergency and rescue services are unavailable and medical facilities are limited to the poorly equipped and staffed Stepantsminda hospital; banking services (e.g., ATM machines) are virtually non-existent.

### 3.3.3.2 Kintrishi Protected Areas

**Biological importance.** Kintrishi Protected Areas are part of the West Lesser Caucasus PCA as defined in the ECPC. Relict colchic forest with a relatively high number of rare, threatened, or endangered species and a relatively high number of endemic species.

**Pressures and threats.** There is mild pressure from invasive species but no other significant pressures or threats.

**Management effectiveness.** An assessment of management effectiveness against selected RAPPAM criteria is presented in Annex 5. Critical weaknesses are: boundary demarcation, administration infrastructure and equipment, no current management plan, staff lack knowledge and skills, no systematic monitoring or incorporation of results of monitoring in work plans, no output or outcome targets in the PA's work plans.

**Socio-economic situation of adjacent communities.** There are three villages in the protected landscape with 120 inhabitants in the summer and 30 in the winter and one village 8 km from the PA with about 300 inhabitants. The main sources of income of the local community are beekeeping, cattle breeding, dairy products, growing of potatoes, corn and fruit. Honey and honey vodka are sold into Turkey. The PA administration provides fire wood from the forests in the PA to the inhabitants.

**Tourism potential.** The area has a wide range of natural, cultural and historical attractions. The PA's are located 25 km distance from the popular Black Sea resort of Kobuleti. They have good connection with Mtirala PA and there are opportunities to investigate trails from Kintrishi to Mtirala. Kintrishi PA received 2,890 visitors in 2010 (first nine months) including 190 international (most of the international tourists are from Armenia, Georgia, Azerbaijan). The figures for 2009 were 1,391 visitors including 143 international. The total income generated by Kintrishi PA was 1,445 Gel. Existing tourism infrastructure in the PA already provides a good basis for the development of hospitality services in the region: a visitor centre with three rooms, kitchen and WC, camp sites, toilets, trail signs, information desks, horses for rent and camping equipment. Weaknesses in tourism services include: lack of qualified and experienced guides; houses in the villages need substantial improvement to make them suitable as tourist accommodation; local people do not have experience in providing services to tourists; there is no electricity and no mobile phone network.



### 3.3.3.3 Algeti National Park

**Biological importance.** Algeti National Park is part of the Manglisi PCA and forms part of the Trialeti – Manglisi and Manglisi – Pambak - Sevan corridor. The PA contains a relatively high number of rare, threatened, or endangered species and performs a critical landscape function.

**Pressures and threats.** The only significant pressures and threats are fire and un-managed tourism.

**Management effectiveness.** An assessment of management effectiveness against selected RAPPAM criteria is presented in Annex 5. Critical weaknesses are: boundary definition; critical sections of the boundary need to be demarcated; administration infrastructure and equipment is not adequate; there is no current management plan; staff lack core knowledge and skills; there is no systematic monitoring or incorporation of results of monitoring in work plans; there are no output or outcome targets in the PA's work plans.

**Socio-economic situation of adjacent communities.** There is conflicting information about the number of villages, households and inhabitants adjacent to the PA. According to one account there are ten villages within the outer boundary of the NP with 120 families (total population 370) and 7 villages in close proximity to the outer boundary of the national park. According to another account there are 12 villages within the outer boundary of the NP with about 90 families (450 persons). The population is multi-ethnic with a large proportion of Azeri ethnicity. The main sources of income are: tourism / private guest houses, livestock keeping, selling of home made products (the most relevant products are dairy products, honey, meat, vegetables). Some people rent out horses for guided tours. Private guesthouse improvements are initiated by the owners. Small credits to families are provided by the Credo Bank of Georgia (the interest rate of 18% a year is higher than offered by banks in Tbilisi, typically 16%). Employers in the area are a small canning factory, a milk and cheese factory, a new hotel, two state schools, a music school, the local police service, a private ambulance services and a health centre.

**Tourism potential.** Situated only 60 km (1 hour by car) southwest of Tbilisi the PA is well placed to attract large numbers of visitors. The region has good potential for bird-watching, photography, nature, botanical and jeep tours. In 2010 15,000 holiday-makers spent the summer in the village of Manglisi, which is on the doorstep of the PA. Tourist hotel houses are under construction and there is a network of family-run guesthouses but they are suitable only for budget travellers. Tourism infrastructure inside the PA is limited to information panels, 5 trails, picnic places and camping sites. Horses are available for hire from local people. The PA hosted only 50 foreign tourists and 5 nationals in 2010; the income to the PA was 750 GEL. The following weaknesses in the provision of tourist services need to be addressed in order to encourage substantially higher numbers of visitors to the PA: accommodation in the villages is generally sub-standard; there is no waste disposal system and no public toilet facilities; catering facilities are lacking and visitors to the PA have to take their own food; local residents have

only rudimentary understanding of hospitality standards; inside the PA tourist trails are not well marked.

#### 3.3.3.4 Pshav-Khevsureti

**Biological importance.** Part of the Khevi–Tusheti PCA of the ECPC and relevant to the conservation corridors therein defined. There is a high number of rare and endangered species in the area and a high number of endemic species. The area contains large tracts of relatively undisturbed ecosystems.

**Pressures and threats.** Unsustainable and illegal logging and poaching are significant pressures and will continue to pose a serious threat if the area is not brought under some form of protection. Unmanaged tourism and increased sheep production will be serious threats to the biodiversity of the area if not coordinated with conservation objectives.

**State of planning for new PAs in the area.** In 2009 a special commission established by the APA prepared a concept for a complex of PAs in the area. In the very last stage of finalising this report the Consultant learned that WWF Caucasus Programme Office was elaborating a proposal to the CEPF for financial support for survey and other preparatory works as a step towards preparing a detailed proposal for the boundaries and categories of the new PAs for adoption by the Parliament.

**Socio-economic situation of adjacent communities.** The Consultant was given conflicting information about the number of villages, households and inhabitants. According to information provided by the Gamgebeli and Rtsmunebuli there are 76 villages with 713 households and 1,972 inhabitants. In interviews during the field visit local people gave much smaller numbers. The population had been declining but there is now inward migration of people with ties to the area. There is a high level of seasonal migration. The main sources of income are livestock rearing (cattle and sheep), dairy products, potatoes, vegetables, fruit, honey and tourism. Future opportunities are in increased sheep breeding for the expanding Arabian market and in providing tourism services.

**Tourism potential.** Well preserved, cultural and nature sites, especially dwelling houses and fortresses, interesting flora and fauna, fresh air, mineral waters, fast rivers, waterfalls, mountain passes and strong ethnographical traditions make the area highly attractive to international tourists. There are opportunities for trekking (the region has very good connections with Tusheti and Kazbegi Pass), ethnography and eco/nature tours, horse riding, and bird watching. Tour packages are already developed by national tour companies and local people. Families have horses and campsites for rent and provide guide services. Tourist flows into the region have increased for the last five years (as reported by local guesthouse owners). One family in Shatili received around 400 guests in 2010 (15 groups with 20 participants were from Israel, others from Holland, and Germany). Guesthouses in the villages are simple but meet the minimum standards expected by international visitors to similar destinations (hot water, clean toilet inside the house, good hospitality, helpful host). The local community is motivated

to develop the hospitality business further. Weaknesses that need to be addressed are the following: there are no information services in the region; existing tourism infrastructure is not adequate (information leaflets and maps, demarcation of trails, public toilets, horse rental); lack of training in hospitality management and pricing (average prices are rather high for the local market); waste disposal sites are not designated; no connection to the electricity grid; no mobile phone network.

### **3.4 Justification for Financial Cooperation**

The programme is justified by the global importance of Georgia's PA network and the urgent need for funds for investment in essential infrastructure and equipment in the selected areas to make them fully functional, and for associated capacity building measures.

### **3.5 Programme concept**

The programme aims at achieving structural impacts in the selected thematic areas through investments in selected PAs and at system level. The programme's logframe (Annex 6) is closely related to KfW's logframe for EP III, in particular the programme has the same overall goal and objective (but limited to Georgia) and has been designed to contribute to all five of the results areas in the EP III logframe.

### **3.6 Programme description**

#### **3.6.1 Overall goal**

The overall goal of the regional programme is to maintain biodiversity in Armenia, Azerbaijan and Georgia without negatively affecting the income situation / the livelihoods of the rural population in the long term.

The indicators for the overall goal are:

- Violations of land use requirements decline by 2016.
- Living conditions are not negatively affected by PAs according to self-evaluation by population.

#### **3.6.2 Programme objectives**

The objective of the country programme is to improve natural resources and protected areas management in Georgia at system level and in selected areas, while at the same time improving the socio-economic situation of the adjacent communities.

The indicators for the objective are (means of verification are specified in the logframe in Annex 6):

- By the end of the programme management of the selected PAs is based on management plans that meet international standards.

- With completion of the contribution the management effectiveness of the selected PAs has been improved.
- The staffing of the selected PAs corresponds to the requirements of the management plans.
- Beneficiaries of the socio-economic development programme contribute, in cash or in kind, at least 10% of the total cost of investments that are made in support of income generation.
- By the end of the programme the socio-economic situation of the adjacent communities of the selected PAs has been improved

### 3.6.3 Programme results

The planned results of the country programme and associated indicators are as follows (quantitative aspects of the indicators such as completion dates and percentage of the target groups participating or benefiting will be specified in the project implementation plan which will be prepared after programme start-up; means of verification are specified in the logframe in Annex 6):

#### Result Area 1 - Planning

*Result description:* The selected PAs have available all the planning documents necessary for their development and the promotion of the adjacent communities.

*Objectively verifiable indicators:*

- By (date to be specified) new / extended external boundaries of the selected PAs (Kazbegi, Kintrishi, Algeti, Pshav-Khevsureti) have been elaborated with the participation of the adjacent communities and mapped.
- By (date to be specified) management plans (including associated programmes such as tourism development, training and capacity building) for the selected PAs have been elaborated according to international standards and have been approved by the Minister of Environment Protection and Natural Resources.
- By (date to be specified) multi-annual business plans have been prepared for the selected PAs and form the basis for the annual operational plans.
- The burden of land- or resource use restrictions (foregone costs) is assessed and agreements have been made regarding the compensation of affected parties.
- By (date to be specified) tools, strategies and plans to promote the socio-economic development of the adjacent communities are defined and coordinated with all relevant stakeholders, and selection procedures are agreed.

The design of new PAs in Pshav-Khevsureti should pay special regard to the arrangements laid down in the Protected Areas Law regarding responsibility for managing different categories of PA (see section 2.4). The aim should be to provide a unified management of the PAs in the target area capable of delivering effective conservation of ecological and other natural values and facilitating the socio-economic development of

the area by allowing local people to use resources in the area in a sustainable way and where doing so is not in conflict with the conservation objectives of the PAs.

### **Result Area 2 - PA establishment**

*Result description:* The selected PAs are recognized and have a functional protected area management.

*Objectively verifiable indicators:*

- By (date to be specified) the external boundaries and the zoning of the selected PAs are legally adopted. Ownership and traditional land use rights are regulated, external boundaries are demarcated where necessary and conflict management mechanisms are in place.
- Investments in infrastructure, equipment PA administration / staff are made according to requirements (as specified in the Management Plan).
- The running costs resulting from the programme activities are included in the APA's yearly budget.
- By (date to be specified) measures for public awareness and education are implemented and target groups are aware of the PAs and the conservation objectives.
- By (date to be specified) the selected PA administrations are staffed according to the requirements of a modern PA management. Job descriptions have been specified and PA staff dispose of required equipment and knowledge to fulfil their tasks.
- Conservation and monitoring activities as proposed in the MP of the selected PAs are implemented by the PA staff and results are documented.

### **Result area 3 - Socio-economic development of adjacent communities**

*Result description:* The communities adjacent to the selected PAs benefit from investments in their socio-economic development.

*Objectively verifiable indicators:*

- Relevant stakeholders are represented in a steering committee or other suitable mechanism which decides on the criteria and procedures for selecting investments; inhabitants of adjacent communities are informed about the conservation objectives of the PA and the interrelation of the socio-economic development with the conservation measures.
- Investments in the socio-economic development of the adjacent communities are executed in accordance with the defined selection criteria and procedures (fast start measures/ community development/ income generation).
- At least x% (percentage to be specified during the design of the socio-economic development programmes) of the population of the communities adjacent to the selected PAs have been involved as individuals or members of community groups in preparing project proposals.
- Beneficiaries have made provision / defined responsibilities for the maintenance of infrastructure/ equipment.

#### **Result area 4 - Sector modernisation**

*Result description:* The APA's and the selected PAs' systems are strengthened in particular topics of their reform processes according to international standards.

*Objectively verifiable indicators:*

- By (date to be specified) tourism development strategies for the selected PAs have been developed with input from the National Tourism Agency.
- By (date to be specified) the APA has clarified its role in PA management and business planning and monitoring and developed / specified procedures.
- By (date to be defined) the APA central apparatus has the necessary equipment and human capacity to operate effectively in the role defined by result 2.
- By (date to be defined) experiences derived from the supported PAs are presented and discussed on the national level and fed into an information system

#### **Result area 5 - Financial sustainability**

*Result description:* The sustainable financing of the PA network is supported.

*Objectively verifiable indicators:*

- By (date to be specified) the APA has discussed and agreed on a strategy for the upgrading of APA's financial and business planning system.
- By (date to be specified) operational plans of the selected PAs contain activities regarding the diversification of income and the improvement of efficiency in order to contribute.
- Lessons learned from the selected PAs (e.g. on self-determined utilization of funds) are discussed within APA central apparatus and integrated into ongoing management activities (adaptive management).
- By (date to be specified) x% (proportion to be specified) of the financial contributions that have been allocated to the selected PAs will be retained for self-determined utilization.
- By (dates to be specified) the APA has applied to the CNF for 50% funding of the running costs of the selected PAs

#### **3.6.4 Indicative activities**

The programme is an open programme and investments will be selected after programme start-up. In order to be able to prepare a cost estimate and allocate costs to investment categories the study team elaborated indicative measures. When the measures are selected during programme implementation, full account should be taken of activities which will be ongoing or planned, and of any results, from other programmes and projects. Criteria for selecting investments are discussed in section

3.8.3.2 below. Indicative activities for each of the programme's results areas are as follows<sup>22</sup>:

**Results area 1 – Planning:**

- Procure or create geo-referenced base maps for the selected PAs.
- Carry out baseline surveys (Key Biodiversity Area, land use, socio-economic).
- Delineate the external boundaries of new / extended PAs.
- Prepare management plans (including associated programmes) and multi-annual operational business plans for the selected PAs in coordination with relevant stakeholders and projects.

**Results area 2 – PA establishment:**

- Arrange for new PAs and extensions to PAs to be legally adopted.
- Physically demarcate those parts of the boundaries of the selected PAs which are most subject to encroachment.
- Staff the PAs according to the need identified during planning.
- Conduct training programme for selected PA administrations in management planning and financial and business planning.
- Conduct study visits to "model" PAs in other countries for staff of selected PAs.
- Procure / build administration and protection infrastructure and equipment (administration building, stables, entrances, ranger shelters, vehicles, horses, office furniture and equipment, field equipment for rangers, communication equipment, fire-fighting equipment).
- Make provision in the national budget for the APA to pay for the running costs of infrastructure and equipment procured by the programme.
- Implement public outreach measures.
- Implement tourism development strategies

The study team proposes that decisions on the specific visitor and tourist facilities to be funded by the programme should be based on the tourism development strategies which will be prepared for each PA with programme funding: it will not be possible to take sound decisions about the scale and nature of investments until those strategies have been prepared.

**Results area 3 - Socio-economic development of adjacent communities:**

A first activity is to design the socio-economic development programmes for the adjacent communities of selected PAs and coordinate tools, strategies and plans with relevant stakeholders and projects. The APA and KfW agreed during the study that investments in the socio-economic development of the support zone will be specified after programme start-up. For the purposes of preparing the cost and financing plan the study team has assumed that 24% of KfW's financing (i.e. 0.96 million Euro in each

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<sup>22</sup> Planning activities for Pshav-Khevsureti are included in the proposal which WWF Caucasus is elaborating for submission to the CEPF. Depending on the outcome of the proposal the planning activities for Pshav-Khevsureti which are included in the programme design may need to be reviewed and revised.

phase) will be allocated to sub-programmes for investments outside the PAs in which the socio-economic development measures will be designed and implemented. We have also assumed that the beneficiaries in the support zones will contribute, in cash or in kind, 10% of the total cost of the investments.

In the cost and financing plan the Consultant has tentatively allocated 2/3<sup>rd</sup> of the 0.96 million Euro for each phase to Kazbegi and Pshav-Khevsureti and 1/3<sup>rd</sup> to Kintrishi and Algeti, taking into account the size of the population of the adjacent communities and tourism potential. The Consultant recommends that the funding be allocated to each PA in a more precise way after completion of the tourism development strategies and socio-economic surveys (for Kazbegi the socio-economic assessment carried out during the previous design study will be sufficient). During the socio-economic assessments “fast start” measures should be identified that can be implemented within a short period after completion of the assessments. The objective of the fast start measures will be to provide benefit to the population of the communities adjacent to the selected areas early on in the programme with the aim of gaining their support for the programme.

#### **Results area 4 - Sector modernisation:**

- Elaborate tourism development and marketing strategy for selected PAs
- Elaborate a strategy for the APA to be able to cope with management planning and monitoring.
- Prepare and conduct a training programme for the APA's central apparatus in management planning and financial and business planning.
- Make investments designed to increase the APA's GIS capacity.
- Design and install a knowledge management system

The study team considered including support to the MoEPNR/APA for securing amendments to the Protected Areas Law and the Regulation of the Agency for Protected Areas that would establish the concept of a support zone in law and assign powers and responsibilities for implementing actions in support zones (see section 2.4 above). The study team considers that any attempt to intervene in the current allocation of powers and responsibilities between the MoEPNR/APA and local self-governing bodies would be fraught with difficulty and could risk undermining support for the programme. The implementation arrangements proposed in section 3.8 will ensure that the socio-economic development component of the programme can be implemented in spite of the APA's lack of powers.

#### **Results area 5 – Financial sustainability**

- Carry out a design study for the upgrading of APA's financial and business planning systems
- Carry out an assessment of opportunities to diversify income and to improve efficiency system wide
- Conduct an assessment of lessons learned on the self-determined utilization of funds (Tusheti) and prepare recommendations for programme activities



- Prepare and submit funding applications to the CNF for the selected PAs

Measures associated with the implementation of new business and financial planning systems should be designed in ways which enable the PA administrations to take on greater responsibility for medium term planning so that they are better able to link their annual work plans to PA objectives.

### **3.6.5 Target groups**

The target groups of the programme are the staff of the APA and the communities adjacent to the PAs. The APA's staff will benefit from the improved planning systems and procedures, knowledge management system, knowledge and skills and infrastructure and equipment delivered by the programme. The communities adjacent to the selected PAs will directly benefit from programme financing of investments that will improve their socio-economic situation. Communities adjacent to all PAs will benefit indirectly from the application of improved procedures for management planning that will take greater account of the impacts of PA establishment and management on their livelihoods. An assessment of the socio-economic benefits of the programme is presented in chapter 5.

## **3.7 Implementation structure**

The grant recipient will be Georgia, the Programme Executing Agency (PEA) will be the MoEPNR, and the Programme Implementation Agency (PIA) will be the APA. The MoEPNR will sign the Financing Agreement and Separate Agreement under delegated authority from the President and the Government of Georgia. The Consultant recommends that a programme management unit (PMU) be established to act on behalf of the APA. The PMU would be staffed by five permanent national personnel: PMU Coordinator, Socio-Economic Programme Manager, Administrator/ Translator, Procurement Manager and Book Keeper/ Accountant. The PMU would be advised by a permanent but part time international Chief Technical Advisor (CTA) (also see chapter 4.3 Proposed technical assistance inputs/ Tables 5 and 6).

Taking into account the findings of the assessment of the APA's capacity (section 2.6.2 above) the Consultant recommends that establishment and operation of the PMU should be contracted to a consulting company; the consulting company should be selected by the APA in accordance with KfW's tender procedures subject to receiving KfW's "no objection". The Consultant recommends that KfW and the PEA sign an agency contract assigning responsibility for arranging the tender and negotiating the terms of the contract with the winning bidder to KfW on behalf of the PEA. The consulting company should be responsible to the MoEPNR/APA and KfW for the cost-effective implementation of the programme. The APA will assign a permanent member of its staff as Programme Director to exercise the APA's supervision functions and to serve as the Implementation Consultant's and PMU's principal point of contact with the APA.

A diagram of the programme implementation structure is presented in Annex 11.

### 3.8 Programme management

#### 3.8.1 Programme Operational Manual

Immediately following signing of the consulting contract the implementation consultant should prepare a Programme Operational Manual (POM) specifying rules to govern all aspects of programme implementation and the procedures that the PMU must follow in respect of programme planning and review, selection of investments (e.g. project application template for socio-economic development measures), procurement, supervision over and acceptance of works and services, acceptance of goods, payments, accounting and internal and external auditing. We would expect this task to be carried out by the CTA within the time budget assigned for him/her in the cost and financing plan. The implementation consultant must agree the POM with the PIA and KfW.

The POM should also specify the project cycles for the different components of the programme. Indicative project management cycles for measures inside the selected PAs and for socio-economic development measures are illustrated in Annex 12. Table 3 gives an overview of involved stakeholders and their roles, which are to be agreed in the implementation handbook.

**Table 3 Roles and responsibilities**

Roles and responsibilities	A) System level measures	B) Measures inside the selected PAs	C) Socio-economic development measures
<b>(1) Identification of investment proposals</b>	PMU in consultation with APA and in coordination with other programmes and projects acting in the sector	PMU in consultation with APA and PA administrations and in coordination with other programmes and projects acting in the sector	PMU in consultation with relevant stakeholder representatives
<b>(2) Appraisal of investment ideas/ consultation of relevant stakeholders</b>	APA and PMU	APA and PMU Consultation with PA Scientific Council	Steering committee (or other chosen mechanism with representation of local government, APA, tourism department and relevant target groups). The mechanism should be decided by the APA and implementation consultant after programme start up.
<b>(3) Approval of funding</b>	APA Programme Director, CTA and KfW (depending on the thresholds which will be specified in the Separate Agreement and / or POM prepared after programme start-up)	APA Programme Director, CTA and KfW (depending on the thresholds which will be specified in the Separate Agreement and / or POM prepared after programme start-up)	APA Programme Director, CTA and KfW (depending on the thresholds which will be specified in the Separate Agreement and / or POM prepared after programme start-up)
<b>(4) Procurement</b>	APA Programme Director, CTA and KfW (depending on the thresholds which will be specified in the Separate Agreement and / or POM prepared after programme start-up)	APA Programme Director, CTA and KfW (depending on the thresholds which will be specified in the Separate Agreement and / or POM prepared after programme start-up)	APA Programme Director, CTA and KfW (depending on the thresholds which will be specified in the Separate Agreement and / or POM prepared after programme start-up)
<b>(5) Supervision of implementation/ inspection of the good, works or services</b>	PMU coordinator and APA Programme Director	PMU coordinator and APA Programme Director	Socio-economic Programme Manager (and local self-governing body for community investments)

<b>(6) Acceptance and hand over</b>	APA representative	APA representative	Individuals or groups of beneficiaries/ local government representative
<b>(7) Monitoring and reporting</b>	CTA	CTA	CTA

### 3.8.2 Project implementation plan and procurement plan

In the first stage of programme implementation the PMU Coordinator together with the Chief Technical Advisor (CTA) should prepare a Project Implementation Plan (PIP) for agreement by the Programme Director and no objection by KfW. Following the Programme Director's agreement to the PIP the PMU should prepare a Programme Procurement Plan (PPP).

The PIP and PPP should be in two parts. One part should cover the measures to support the selected PAs and the PA system; the other part should cover the socio-economic development sub-programmes in the territories surrounding the selected PAs. Visitor and tourist facilities will not be included in the first PIP and PPP: they will be added after the measures have been specified on the basis of the tourism development strategies prepared under the programme.

### 3.8.3 Selection of measures

#### 3.8.3.1 Investment categories

The Consultant recommends that investment decisions should be made in the framework of the following investment categories:

1. Preparation / improvement of planning documents.
- 2a. Installation / improvement of administration and protection infrastructure.
- 2b. Installation / improvement of PA visitor services infrastructure.
3. Equipment of park administration and other relevant actors.
4. Investments in the socio-economic development of the support zones.
5. Public relations and similar work.
6. Capacity building for APA staff / improvement of planning systems and procedures
7. Programme management including running costs.

#### 3.8.3.2 Criteria for selecting measures

For system-level investments and investments inside the selected PAs (with the exception of visitor and tourist facilities) the indicative measures drawn up by the study team as a basis for costing the Programme can serve as a starting point for selecting measures for the PIP and PPP. The tourism development strategies prepared in the first

stage of the programme will serve as the starting point for selecting investments in visitor and tourist facilities inside the selected PAs (investments outside the PAs are discussed below). The PMU should appraise each measure together with the APA before including the measure in the project implementation plan.

Measures should be assessed on the basis of criteria and a scoring system elaborated by the PMU and agreed with the APA and KfW after programme start-up (as part of the POM above) and before preparation of the project implementation plan. The criteria should be designed to demonstrate:

- that a measure aimed at supporting socio-economic development (or at other results, if relevant and of interest to people) is supported by the beneficiaries.
- that a measure fits within one of the investment categories;
- the relevance of a measure to one or more of the results areas;
- the contribution which the measure will make to achieving one or more of the indicators of the results area;
- if alternatives are available, that the measure is the best of all the alternatives.

In addition, in cases where it is practical to do so, measures should be subject to a quantitative appraisal using standard methods such as internal rate of return and net present value. For example, appraisal of the purchase of new vehicles for the selected PAs should include a comparison of capital and running costs of different models over the expected life of the vehicles; appraisal of investments in tourism infrastructure should include estimates of the financial benefits to the PA and the economic benefits to the local economy.

Before any investments are selected for the socio-economic development sub-programmes the PMU should carry out the socio-economic surveys and elaborate the tourism development strategies for the selected areas. The PMU should then design the sub-programmes, including:

- the allocation of funds to each PA and by objective (e.g. improving visitor and tourist services, improving social conditions);
- the mechanism for identifying possible investments (e.g. some of the funding could be allocated to a small grants programme, another part of the funding could be allocated to measures which are identified jointly by the PMU and the communities);
- the mechanism for selecting investments (e.g. the criteria which would be used to assess applications to a small grants programme or measures identified by community representatives; the people who would be involved in assessing the applications or identified measures).

Participation of the adjacent communities and other relevant stakeholders must be ensured in the selection, planning, financing, implementation and operation of socio-economic measures. The PMU should elaborate a participation concept before taking any steps to invite and select proposals (e.g. as part of the POM above). The concept should include a suitable mechanism – a steering committee or other appropriate structure – that will ensure participation. The mechanism should be decided by the APA and implementation consultant after programme start-up.

### **3.8.4 Procurement**

The PMU shall procure goods, works and services in accordance with rules that will be specified in the Separate Agreement and Programme Operation Manual. The rules will specify: the circumstances in which the PMU may procure goods, works and services without a tender and the circumstances in which a tender will be mandatory; the circumstances in which the MoEPNR/APA's and KfW's agreement or no objection is required before the PMU may proceed with a procurement.

The PMU's functions in this regard will include advertising of tenders, drafting and issuing tender documents, receiving bids, preparing a report on the evaluation of prequalification proposals and bids with recommendations, contracting, and all communication with bidding companies. On organizational issues like the signature of contracts, no final agreement could be reached during this study, therefore, this issue needs to be clarified in the frame of the bilateral consultations.

KfW informed the Consultant that it had recently revised its thresholds for direct contracting and tendering and for KfW no objection prior to contract award. The thresholds are different from those which apply in the Javakheti National Park Project. The Consultant recommends that regulations governing procurement by the PMU should be agreed between KfW and the PEA and PIA as part of the Separate Agreement.

### **3.8.5 Supervision over the implementation of measures**

Supervision over the implementation of measures at system level and inside PAs will be carried out by the PMU Coordinator jointly with the APA. Implementation of improvements to conditions at village level and in visitor services at village or municipality level will be carried out by the Socio-Economic Programme Manager, jointly with the local self governing body concerned in the case of investments to meet community needs.

### **3.8.6 Acceptance and handover of completed measures**

After completion of measures at system level and inside PAs and after inspection of the good, works or services the PMU Coordinator should prepare and sign an acceptance act and submit it to the Programme Director. Upon signature by the corresponding representative of the APA the measure will have been formally accepted by the APA as being in accordance with the specifications for the goods, works or services concerned and any goods and works include in the acceptance act will become the property of the APA. The same procedures should be applied to measures carried out in the socio-economic sub-programmes except that the acceptance act will be signed by the beneficiary organisation and goods and works will become the property of the direct beneficiary organisation. In the case of any measures implemented by small enterprises and financed under a competitive grant scheme (if such a scheme will be implemented by the programme) the beneficiary should sign a completion act and submit it to the Socio-Economic Programme Manager together with a request for any remaining part of the grant to be paid.

In order to ensure compliance with contract specifications and to mitigate the risk of disagreement between the PMU and the APA as to whether a measure should be accepted or not, in certain cases, which will be specified in the POM, the PMU should arrange for an independent expertise of goods and works procured by the programme before signing the acceptance act. In addition the APA will supervise works implemented inside the selected PAs.

The PEA and PIA should have an unrestricted right to reproduce and transmit reports procured by the programme.

### **3.8.7 Programme monitoring, reporting and review**

The PMU Coordinator should submit monthly reports (maximum two pages, submitted by email) and bi-annual progress reports to the APA and KfW through the CTA, including information regarding the technical and financial progress of the programme.

The PMU Coordinator should review the project implementation plan every six months and more frequently if changes in the operating environment or progress with programme implementation require it. If the conclusions of the review require, the PMU Coordinator and CTA should revise the PIP and submit it to KfW and the APA for their no objection. Upon the APA's and KfW's no objections the PMU Coordinator should make corresponding changes to the PPP.

The PMU Coordinator, together with the CTA should prepare a plan to monitor impacts at the Results Area and Objective level of the programme logframe. The plan should provide for monitoring by the PMU and APA against those indicators in the logical framework which can be assessed during programme implementation and for monitoring by the APA against those indicators which can be assessed only ex-post. The CTA should include the results of any monitoring carried out during programme implementation in the report documenting the results of the 6-monthly review and proposals to revise the project implementation plan and procurement plan.

### **3.8.8 Cooperation with other relevant actors and possible synergies with other programmes**

The APA and the PMU should establish mechanisms to ensure that the programmes, projects and activities being implemented by other actors complement each other to the maximum possible extent. The MoEPNR has instituted donor coordination for each of the sectors under its responsibility: arrangements include a coordination group for the PA sector. That mechanism will help to ensure coordination at a strategic level but may not provide sufficient coordination at an operational level (i.e. the selection of the specific measures which will be funded by the programme). The implementation consultant together with the APA should institute arrangements which fill any gaps in the coordination mechanism as it will have evolved by the time the programme starts. German Development Cooperation should take measures to ensure that activities car-

ried out in the framework of KfW's EP III and GTZ's Sustainable Management of Biodiversity programme complement each other to the maximum extent possible.

### **3.8.9 Lessons learned and included in the programme design**

The programme design takes into account the practical experience of the Transboundary Joint Secretariat and the Javakheti National Park project in relation to the development of socio-economic programmes to support adjacent communities. Furthermore, lessons learned during the progress of the programme and resulting from the monitoring and evaluation activities shall be integrated in the yearly implementation plans.

## 4. PROGRAMME COST ESTIMATE AND FINANCING

The cost of the programme is estimated to be as follows (in Euros):

**Phase 1 (years 1 – 4):** Total cost 4,388,000 Euro financed by: KfW 4,000,000; APA 292,000; Beneficiaries 96,000.

**Phase 2 (years 5 – 7):** Total cost 4,744,000 Euro financed by: KfW 4,000,000; APA 648,000; Beneficiaries 96,000.

### 4.1 Estimation of total costs and specification of funding sources

Table 4 shows the cost of the programme by investment category for each of the two phases and the source of funding. Annex 7 provides a more detailed presentation of the costs by investment category and an estimation by results area.

The Consultant estimated the costs of the programme using the following assumptions:

- Costs of international and national experts: current competitive charge out rates.
- Costs of APA staff contributing to the implementation of programme measures: current APA salary rates.
- International travel: cost of economy class return flight from Europe applied to the estimated number of flights.
- Local travel: fixed amount per month to cover costs of travel by means other than the PMU's vehicles.
- Vehicles for PMU: Toyota Prado or equivalent at current price in Tbilisi.
- Administration and protection infrastructure: costs based on the actual costs of similar measures implemented by the APA.
- Vehicles for the selected PAs: Mitsubishi four wheel drive pick-up or equivalent at current price in Tbilisi.
- Vehicle running costs: fixed amounts per month to cover fuel, oil, maintenance, repairs and spare parts.
- Horses for selected PAs: current market prices purchased locally.
- Feed and veterinary fees for horses: fixed amounts per month
- Furniture and equipment: current prices procured in Tbilisi
- PMU office rent, power, light and cleaning: assumed to be provided by the APA but priced at current market rental prices and fixed monthly amount for utilities and cleaning

The costs of all other inputs were estimated on the basis of the Consultant's and APA's experience of implementing similar measures.



**Table 4: Estimate of total costs by investment category and source of funds**

Phase 1 (years 1-4)		All costs in thousands of Euro		Financing					
Investment category	Costs		KfW	% of share	APA	% of share	B'ficiaries	% of share	
	Total	% of base costs							
1. Preparation / improvement of planning documents <sup>1</sup>	138	3%	111	80%	27	20%	0	0%	
2a. Installation / improvement of administration and protection infrastructure <sup>2</sup>	615	14%	615	100%	0	0%	0	0%	
2b. Installation / improvement of PA visitor services infrastructure <sup>3</sup>	558	13%	558	100%	0	0%	0	0%	
3. Equipment of park administration and other relevant actors <sup>4</sup>	288	7%	288	100%	0	0%	0	0%	
4. Investments in the socio-economic development of the support zones <sup>5</sup>	1.056	24%	960	91%	0	0%	96	9%	
5. Public relations and similar work <sup>6</sup>	46	1%	45	98%	1	2%	0	0%	
6. Capacity building for APA staff/ improvement of planning systems and procedures <sup>7</sup>	93	2%	91	98%	2	2%	0	0%	
7. Programme management including running costs <sup>8</sup>	1.195	27%	933	78%	262	22%	0	0%	
Contingency <sup>9</sup>	399	9%	399	100%	0	0%	0	0%	
<b>Total</b>	<b>4.388</b>	<b>100%</b>	<b>4.000</b>	<b>91%</b>	<b>292</b>	<b>7%</b>	<b>96</b>	<b>2%</b>	

**including:**

FC Consultant	1.055	24%
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**source of funds:**

KfW	4.000	91%
APA	292	7%
Beneficiaries	96	2%
<b>Total</b>	<b>4.388</b>	<b>100%</b>

Phase 2 (years 5-7)		All costs in thousands of Euro		Financing					
Investment category	Costs		KfW	% of share	APA	% of share	B'ficiaries	% of share	
	Total	% of Base Costs							
1. Preparation / improvement of planning documents <sup>1</sup>	163	3%	136	83%	27	17%	0	0%	
2a. Installation / improvement of administration and protection infrastructure <sup>2</sup>	717	15%	717	100%	0	0%	0	0%	
2b. Installation / improvement of PA visitor services infrastructure <sup>3</sup>	587	12%	587	100%	0	0%	0	0%	
3. Equipment of park administration and other relevant actors <sup>4</sup>	432	9%	432	100%	0	0%	0	0%	
4. Investments in the socio-economic development of the support zones <sup>5</sup>	1.056	22%	960	91%	0	0%	96	9%	
5. Public relations and similar work <sup>6</sup>	44	1%	43	98%	1	2%	0	0%	
6. Capacity building for APA staff/ improvement of planning systems and procedures <sup>7</sup>	47	1%	45	96%	2	4%	0	0%	
7. Programme management including running costs <sup>8</sup>	1.237	26%	619	50%	618	50%	0	0%	
Contingency <sup>9</sup>	461	10%	461	100%	0	0%	0	0%	
<b>Total</b>	<b>4.744</b>	<b>100%</b>	<b>4.000</b>	<b>84%</b>	<b>648</b>	<b>14%</b>	<b>96</b>	<b>2%</b>	

**including:**

FC Consultant	631	13%
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**source of funds:**

KfW	4.000	84%
APA	648	14%
Beneficiaries	96	2%
<b>Total</b>	<b>4.744</b>	<b>100%</b>

**Notes**

1. Comprises the preparation of planning documents on PA level and support zones (baseline studies, management plans, tourism strategies, socio-economic development strategy), including related experts input. The CTA is only costed under category 7.
2. Comprises boundary demarcation, construction of ranger shelters, construction/refurbishment of administration building and stables for horses.
3. Includes investments in PA visitor infrastructure and services inside and outside the PA to be specified by the tourism development strategy. The calculation takes into account the size of the territories, therefore costs for Kazbegi are higher.
4. Comprises furniture and equipment for PA administration buildings, communication, working and firefighting equipment, horses and vehicles for rangers, and equipment for APA central apparatus planning unit.
5. Assume an allocation of 24% of the total KfW funds of 4 million in each phase, plus 10% beneficiary contributions. Includes only investments made to benefit the communities excluding planning costs (to be specified during a participative planning process).
6. Comprising programme/ PA communication and visibility measures and event to launch the PA and/or the tourism strategy.
7. On PA level: needs assessment and training of PA administrations, study visits for selected PA staff. For APA central apparatus: strategy to cope with management planning and monitoring, assessment of opportunities to diversify income and to improve efficiency system wide, improvement of APA's business planning system, training programme in management planning and financial/ business planning, and improvement of knowledge management system.
8. Programme management costs comprise the salaries of new PA staff, the operating costs of infrastructure and equipment financed by the programme, the installation and operation of the PMU and costs for yearly audit. Running costs will be financed by the APA.
9. Contingencies appear in the system column only for technical reasons and account for all locations.

## 4.2 Implementation schedule

The schedule of programme costs of the first phase by year, investment category and source of funds is presented in Annex 8.

## 4.3 Proposed technical assistance inputs

The Consultant has included the following technical assistance inputs in the cost and financing plan:

**Table 5: Technical assistance inputs: (a) Short term expertise**

Category	Field of expertise <small><sup>FCC</sup> = included in the estimation of costs for the financial cooperation consultant (i.e. implementation consultant)</small>	Person Months (30 active working days per month)	
		Phase 1	Phase 2
International STE	Chief Technical Advisor (CTA) <sup>FCC</sup>	18.0	12.5
	Backstopping <sup>FCC</sup> (2 missions of 10 days each year)	3.0	2.0
Pool of international STE	e.g. in the fields of: <ul style="list-style-type: none"> <li>• Conservation finance/ PA financing <sup>FCC</sup></li> <li>• PA management <sup>FCC</sup></li> <li>• Rural development/ income generation <sup>FCC</sup></li> <li>• Monitoring <sup>FCC</sup></li> </ul>	6.0	4.5
National STE	e.g. in the fields of: <ul style="list-style-type: none"> <li>• Biology (Fauna)</li> <li>• Biology (Flora)</li> <li>• PA/ biodiversity monitoring <sup>FCC</sup></li> <li>• Restoration/ conservation of cultural/ historical sites</li> <li>• Database/ information management</li> <li>• GIS</li> <li>• Land use planning</li> <li>• PRA/ socio-economy/ rural development <sup>FCC</sup></li> <li>• Workshop moderator</li> <li>• Tourism development (eco-/ agro-/ nature tourism)</li> </ul>	8.5	9.5
<b>Total</b>		<b>35.5</b>	<b>28.5</b>

**Note:** Regarding the work input of the CTA, KfW proposed increasing the input to 24 person months while the APA suggested decreasing the CTA input to 15 person months, in order to compensate an increase of work input of the accountant and procurement specialist. This proposal resulted from a discussion of the Javakheti project briefly before submission of this study and was not further considered in the cost and financing plan. The current cost calculation contains 18 person months for the CTA which appears realistic to the Consultant. A final agreement shall be achieved in the bilateral negotiations between MoEPNR/APA and KfW and specified in the Separate Agreement.

**Table 6: Technical assistance inputs: (b) Long term expertise**

Category	Field of expertise <small><sup>FCC</sup> = included in the estimation of costs for the financial cooperation consultant (i.e. implementation consultant)</small>	Calendar Months (20 active working days per month)	
		Phase 1	Phase 2
National LTE	PMU National Coordinator <sup>FCC</sup>	48.0	36.0
	PMU Socio-economic Programme Manager <sup>FCC</sup> (75%)	36.0	27.0
	PMU Procurement Specialist <sup>FCC</sup> (50%)	24.0	18.0
	PMU Accountant <sup>FCC</sup> (50%)	24.0	18.0
	PMU Administrative assistant/ translator <sup>FCC</sup>	48.0	36.0
	Unallocated national expertise	12.0	9.0
<b>Total</b>		<b>192.0</b>	<b>144.0</b>

The estimated total costs of consulting services that would be provided by the implementation consultant (PMU costs and consulting services other than those paid by the APA or from the disposition fund) are:

- Phase 1: 1,055,000 Euro
- Phase 2: 631,000 Euro

In addition to the above technical assistance inputs the Consultant has included 32 person months of APA staff time in the cost and financing plan as partner contribution, comprised of the following fields of expertise:

- Database management / GIS: e.g. Senior Specialist of Planning Service (database management and GIS) in coordination with Chief Specialist of the Development Service (Scientific Research and Monitoring)
- Environmental education: e.g. Specialist of Development Service (Education and Interpretation) in coordination with Senior Specialist of the Development Service (Eco-tourism and Cultural Resources)
- Biology (flora): e.g. Chief specialist of Planning Service (Natural Resources)
- Cultural / historical sites: e.g. Senior Specialist of the Development Service (Eco-tourism and Cultural Resources)
- Infrastructure / supervision of construction works: e.g. Specialist of Planning Service (Landscape Planning and Infrastructure)
- Human resources: e.g. Head of Planning Service
- Legal framework: e.g. Chief Specialist of Juridical Service
- PR / event / campaign management: e.g. Specialist of Marketing and PR Services
- Sustainable Financing: e.g. Chief Specialist of Economic Service
- Programme Director: e.g. Deputy Chairperson or Head of Development Division or Planning Division

- PA Administration Directors of selected PAs
- AP Natural Resources Specialist of selected PAs

The APA has offered to provide the following material and financial resources:

- PMU office:
  - Rent: Provision of PMU office space free of charge, use of conference room
  - Cleaning and maintenance
  - Electricity, gas, water
- Provision of data:
  - Provision of maps, relevant documents, research studies, statistical data, etc.
- Provision of the running costs of the selected PAs:
  - Staff costs of PA administrations
  - Energy, telecommunication costs, office supplies, maintenance
  - Feed, veterinary fees of horses
  - Fuel, oil, maintenance, spares for cars and technical equipment

#### 4.4 Estimation of implementation costs

The Consultant's estimate of the cost of implementing the programme is as follows: Table 7: Implementation costs (cost estimates in EUR):

	1st phase	2nd phase
Staff costs: technical assistance as listed in the table (CTA, international STE, backstopping, national STE, national LTE) according to common rates including international travel costs	850,000	630,000
Local transport, procurement of vehicles and vehicle running costs	140,000	60,000
Purchase of furniture and equipment	15,000	-
Office running costs	20,000	15,000
Training	10,000	-
Audit	20,000	15,000
<b>TOTAL</b>	<b>1,055,000</b>	<b>720,000</b>

## **4.5 Financial arrangements**

### **4.5.1 Disbursement of funds**

The Disbursement of Funds shall follow the Disbursement Procedure in accordance with the Guidelines of KfW for the Disbursement of Funds of the Financial Cooperation of the Federal Republic of Germany.

The disbursement of Consulting Services shall be made under the Direct Disbursement Procedure up to the estimated amount of 1.055.000 Euro in the first phase and 631.000 Euro in the second phase.

For all other project components disbursement shall be made under the Disposition Fund Procedure up to the remaining costs of 2.945.000 Euro in the first phase and 3.369.000 Euro in the second phase.

In accordance with the above mentioned guidelines, the disposition funds accounts should be kept in Euros to hedge against the risk of currency devaluation. It is recommended that the implementation consultant open a special account in a bank in Tbilisi in order to simplify the operation of the PMU and the project implementation process. Details of the arrangement should be specified in "Supplementary Conditions", to form an integral part of the Separate Agreement between KfW and MoEPNR.

### **4.5.2 Payments to beneficiaries**

Payments to beneficiaries will consist in most cases of payments for goods and materials, or for technical services. Disbursement of these payments should be made through the PMU upon invoice from the providers. All payments should be enacted only after a thorough check for consistency with contract specifications.

### **4.5.3 Financial monitoring**

#### **4.5.3.1 Independent auditor**

In accordance with KfW guidelines on the Disposition Fund Procedure an audit of the disposition fund must be performed annually by an independent auditor in order to determine whether the Disposition Fund has been managed properly. The auditor's report shall be submitted to MoEPNR and KfW.

#### **4.5.3.2 Financial management and control**

The implementation consultant must operate an adequate financial management and controlling system in order to meet the requirements of KfW's Disposition Fund Procedure. The implementation consultant shall prepare financial management guidelines which will form part of the POM. The guidelines shall specify detailed operations and financial management procedures. The international standards of book-keeping as

approved by the International Committee of Book-Keeping Standards and as recognized by the Government of Georgia (Article 3 of the “Law of Georgia on Regulation of Bookkeeping and Accounting”), will be used as basis for book-keeping and preparation of financial statements and project reports.

## 5. PROGRAMME BENEFITS

### 5.1 Ecological benefit

In the high and mostly remote mountain areas of the Caucasus region the rural population depends heavily on the ecosystem services provided by forests and meadows. These ecosystems contribute to the livelihoods of the poor by providing food, medical herbs, fodder and building materials, providing the means for diversifying income, by mitigating the impact of extreme weather events (erosion control), and by providing option values of biodiversity. The dependency on these ecosystem services makes the local communities more vulnerable to environmental degradation induced by climate change. The Programme will result in better protection and more sustainable use of the ecosystems on which the communities living in and around the PAs depend. The communities will benefit in the long term from ecologically sustainable natural resources management practices which can be introduced by the PA management regime with the support of the Programme.

The selected PAs are critical components of Georgia's strategy for conserving biodiversity. The Programme will provide the APA and the PA administrations with the means to conserve the ecological values of the selected PAs, help Georgia to meet her national biodiversity conservation objectives and her obligations under the Biodiversity Convention and other MEAs, and make a significant contribution to achieving the vision of the ECPC.

### 5.2 Financial Benefits

The revenue generated by the PA network is extremely small relative to expenditure. The entire system produces approximately GEL 100,000 (Euro 40,000). The most successful revenue generator in the system is Lagodekhi which produces an income of around GEL 35,000 (Euro 14,100) annually.

Of the three existing PAs proposed for the Programme, Kazbegi and Algeti produced no income in the 2008-2010 period (although visitor numbers are high, the PAs lack infrastructure and the means of taking payments). Kintrishi generated around 2,000 GEL (Euro 800) in 2009 and GEL 4,270 (Euro 1,720) in 2010. This is around 9% of the current operating budget of Kintrishi PAs (see the table below).

**Table 8: 2009 Budgets for the existing PAs proposed for the programme (Euro).**

*(Source: APA. Note: the budget allocation has remained more or less consistent for the last three years.)*

	Algeti	Kazbegi	Kintrishi
Salaries	26,028	26,702	23,626
Other	2,665	2,898	3,328
Total	28,693	29,600	26,955

Most of Kintrishi's income came from 'hotel service', use of the picnic site and guided tours. The amounts of income quoted above do not take into account the cost of providing the services. Providing a hotel service includes variable costs (such as staff costs for booking and room-cleaning) that also need to be covered by the PA. For paid services to contribute to the sustainability of the protected areas they cannot just be producing revenue, they need to be producing a profit. The present day picture of the PA network's ability to generate additional finance therefore appears quite bleak.

A variation on the service provision theme is for PAs to lease revenue-producing infrastructure to private companies, gain income from the lease and remove running cost/maintenance and management problems all at the same time. One of the reasons why the APA have argued for separate buildings for visitors centres is that the government has made the decision to out-source visitor services to private firms. In Lagodekhi, the visitor centre has been leased by a private firm for USD 12,000 per year on a ten year lease. The firm is contractually responsible for all running and maintenance costs.

This is certainly an interesting model and would be good to repeat in the PAs proposed for the programme. However, the key issue is, of course, visitor numbers. For a company to pay USD 12,000 per year to provide visitor services it is necessary that the site has a fairly large number of visitors, with some staying overnight.

Another source of finance would be if one 'taxed' visitors to the protected areas. This could be done directly, by charging an entrance fee, or it could be done indirectly by taxing businesses that benefit from the existence and quality of the PA, for example a tax on each visitor night in local guest houses. The justification for this would simply be that it helped to fund services from which the visitor or the business benefits.

The size of this benefit would obviously be dependent on the number of visitors and, since the charge would have to stay fairly small, it would seem as though it would only have a significant impact in Kazbegi (which has the largest number of visitors) at this time. In addition, this could be very unpopular with both visitors and residents, particularly if the charge is significant. It might also be difficult to establish a mechanism for collecting the taxes and ensuring that they were channelled to the APA.

## **5.3 Socio-economic Benefits**

### **5.3.1 The Current Economic Situation**

Georgia has 11 regions and 69 municipalities and while general income/poverty data is only available at the regional level there is wide variation within regions.

Algeti NP is in the region of Kvemo Kartli and the municipality of Tetriskaro, Kintrishi PAs is in the region of Adjara and the municipality of Kobuleti and both Kazbegi and Pshav-Khevsureti are in the region of Mtskheta-Mtianeti.

In terms of poverty rates, Kvemo Kartli (with Algeti) and Adjara (with Kintrishi) are relatively strong regions. Kvemo Kartli is one of the richest agricultural areas of the country and Batumi is the only region with mass tourism, and also has considerable transportation and shipping connected to the black sea ports.



On the other hand Mtskheta-Mtianeti (with Kazbegi and Pshav-Khevsureti ) is one of the poorest regions in the country and this is compounded by the fact that Kazbegi and Dusheti are high mountainous areas, which almost all observers agree, are some of the poorest parts of the country.

At the municipal level there is less data, but one can judge the poverty of a municipality by looking at what proportion of the population receives means-tested targeted social assistance payments from the government. These numbers seems to confirm the regional findings. In Kobuleti (with Kintrishi) around 10% and in Tetriskaro (with Algeti) around 12% of the population receive these payments (this is close to the level found nationally). But in Dusheti (with Pshav-Khevsureti) 20% of the population and in Kazbegi 27% of population receive them.

This is particularly relevant for the socio-economic development component of the programme because it highlights one key fundamental difference between the lowland PAs and the mountainous PAs. The lowland PAs are located in regions where funds may exist to help develop tourism facilities and develop businesses and as a result the project can probably expect a certain level of co-financing – in cash or in kind - from communities who are supported.

However, it also highlights the enormous benefits that relatively small investments may be able to bring in the mountains. With such low incomes and very few either industrial or agrarian prospects (as the agricultural season in the mountains is very short) tourist development may offer one of the only clear opportunities out of poverty in the area. In addition, in these areas, a very small improvement in incomes may have a profound impact on quality of life.

### **5.3.2 Economic Development in and around the Protected Areas**

The development of ecotourism, cultural tourism and adventure tourism is generally considered the most obvious economic benefit to be generated by the PA network, and the key to their sustainability. The connection between protected areas and tourism will always be important in the arguments to justify its continued government support. For that reason, the 24% of the programme budget allocated to economic development should be focused on tourism development in particular. Nevertheless, it is important to underline that other investments should also be admissible, if needed and supported adequately by the people / communities.

The Georgia National Tourism Development and Investment Strategy (see section 2.3.2) has a number of components which are of interest to protected areas. First, amongst the performance targets of the plan there is a focus on 'visitors from long-haul or Western European markets' as this group is considered to be higher spending than visitors from CIS countries. This is important for protected areas because eco, cultural and adventure tourism are far more significant for this group.

Second, the strategy explains that this goal is to be achieved through a number of 'strategic objectives' and one of these is 'destination management', to 'improve infrastruc-

ture and visitor services. Conserve natural environment and cultural heritage through sustainable tourism development’.

Third, the tourism strategy is based around a ‘hub and spoke system’ where the objective is to support 8 ‘hub’ destinations from which a further 16 ‘spoke’ destinations can be reached. The PAs selected for the Programme are close to or part of two of the hubs (Tbilisi and Kobuleti) and two of the spokes (Kazbegi and Shatili).

Together this suggests that the Georgian government is already firmly focused on nature and culture as key tourism resources and that our focal protected areas are particularly well placed to benefit from their geographic focus.

Visitor numbers to the PAs proposed for the programme are extremely varied. Visitor numbers for 2009 are shown in the table below. Algeti and Kintrishi currently have relatively low visitor numbers compared to Kazbegi. All three PAs claim to have significantly increased their visitor numbers this year. However, it is unclear how reliable any of this information is, since collection methods differ across protected areas and may involve different collection biases and error rates. For example, while in Kintrishi there is only one entrance and the number of visitors is easily counted, in Algeti and Kazbegi the numbers are estimates based on reports from rangers, tour-guides and hotels. As a result, it is hard to be sure about the exact number of visitors, the duration of their stay, or exactly what they do when they come. Assessing this information and assessing the potential for expansion will form a key part of the initial analysis by the KfW economic development team.

**Table 9: Visitor numbers for the existing protected areas in 2009.**

Location	Visitors
Algeti	1,585
Kazbegi	11,379
Kintrishi	1,396

That said, each of the PAs proposed for the programme appears to have considerable opportunity for attracting tourists. Algeti is only about 60 minutes out of Tbilisi and so should be able to expand its visitors for day-trips and breaks from the city in the summer. Kintrishi is only 25 km outside of Kobuleti in Adjara which is significant because Adjara is Georgia’s only real mass-tourist destination. Kazbegi’s impressive mountains and relative proximity to Tbilisi make it one of the key destinations for adventure and conservation tourism. Pshav-Khevsureti creates a tourism corridor between Tusheti and Kazbegi protected areas. It is characterized by outstanding landscape beauty. The unique complex of medieval-to-early modern fortresses of Shatili, a village in the north of Pshav-Khevsureti has been included in the tentative list of UNESCO World Heritage districts<sup>23</sup>. However access is difficult because of the relatively poorly developed transportation infrastructure.

<sup>23</sup> <http://whc.unesco.org/en/tentativelists/5232/>

In assessing the likely interventions a clear SWOT analysis would provide a good starting point. One obvious weakness and possible opportunity is that at the current time, while the numbers may differ, each of the three existing PAs is generally attracting day-trippers who do not stay overnight. This is particularly prominent in Algeti and Kintrishi which are so close to Tbilisi and Kobuleti that visitors simply return to the proximate town/city for the night, but according to the director of Kazbegi PA the vast majority of visitors to Kazbegi are also day-trippers, even though it is very much further away from a major town.

One way in which the project could help to improve on this situation would be to support the development of better-marketed guest-house facilities. There are few visitor facilities that are formally connected to these protected areas. Kintrishi has a visitor's centre that has two rooms, one for two people and one for four people. It also has a location where people can pitch tents. The park administrations of Algeti and Kazbegi have nowhere for visitors to stay overnight. Also, while this project did not assess the guest-houses in the surrounding areas, the poor quality of hotels, guest-house and home-stays is acknowledged by most assessments of tourism in Georgia including the government's own strategy.

Another way would be to support the development of the broader tourist infrastructure that supplies the region. One of the continuing problems with tourist development in Georgia is the difficulty for visitors to find out information about tourist opportunities before they come or to travel easily to and from destinations when they arrive. A range of interventions may be possible to help this. Obviously an up-to-date website would be useful and would need to outline the benefits of the protected area as well as provide information to facilitate travel, accommodation and activities in and around the region. Support could also be given to increase the number of qualified and experienced travel guides, of which there is a serious shortage in the programmes target areas and generally in Georgia.

In addition, interventions to help connect different elements of the tourist 'supply chain' are clearly needed. Transportation to any of the protected areas, even those close to Tbilisi, is not easy for the independent traveller. Even with an up-to-date guidebook it can be difficult to find departure points, timetables or price information on trains, taxis and marshrutkas or price and availability of hotels, guesthouses, home-stays and visitor services. Helping to develop this information, delivery systems for it (including websites, pamphlets and information phone-lines) will clearly need to be part of the project if it is the intention to enhance the tourism potential of the protected areas.

#### **5.4 Other Benefits**

The programme will help to build consulting and project implementation capacity in Georgia by employing Georgian staff to operate the PMU and Georgian experts to provide services to the programme. The programme will also help to build the capacity of the APA through involving APA staff in the implementation of programme measures in addition to addressing programme measures at APA staff. Furthermore, the creation of

trust through close collaboration with APA, and empowerment of local communities through the highly participative approach will be supported.

## 6. ASSUMPTIONS, RISKS AND RISK MITIGATION MEASURES

The study team assesses the overall level of risk as medium. The most important assumptions – those with a medium or high risk and a low or medium feasibility of mitigation - are as follows:

**Table 10: Project Objective to Overall Goal:**

Assumption	Risk	Impact	Mitigation strategies
Environmental policy is not weakened by crises and sudden changes in political direction.	L	Protection status of PAs weakened as a result of greater emphasis on economic development.	The programme is designed to support the APA in its efforts to generate more income and invest more funds in improvement of all necessary programmes/activities including protection programme.
The donor community does not lose interest in conservation issues.	M	Reduced project financing to the PA sector make it difficult for the MoEPNR/APA to maintain and build on the impacts of the programme.	The CNF exists to co-finance the running costs of PAs.

**Table 11: Results Areas to Project Objective:**

Assumption	Risk	Impact	Mitigation strategies
Bureaucratic structures, unclear division of competences and weak local participation structures do not prevent sufficient participation of the population	M	The management plans and programmes to support the socio-economic development of communities adjacent to the selected PAs will not take sufficient account of the needs and wishes of the local population	The programme will work directly with the communities and households and at the same time involve the municipalities as implementation partners for certain of the programme measures.
Acceptance of protected areas is not undermined by fundamental, historically conditioned mistrust of the adjacent communities	M	Creation of new PAs will be delayed and at worst may be cancelled. The PA administrations' efforts to protect the PAs from illegal and unsustainable use will be undermined.	
The capacity of the selected PAs to implement the improved planning and management systems and procedures is not undermined by frequent staff changes	M	The impacts of the programme on planning and management will be below expectations.	None available to the programme.

**Table 12: Activities:**

<b>Assumption</b>	<b>Risk</b>	<b>Impact</b>	<b>Mitigation strategies</b>
Adjacent communities and other interested parties are willing to negotiate and compromise over new / revised PA boundaries	Ka - H PK - H AI - L	Creation of new PAs and extensions to existing PAs will be delayed and at worst may be cancelled due to lack of agreement on boundaries	The programme design includes local consultation workshops and independent facilitation. Also, the programme has the flexibility to change the target areas.
Government and Parliament will agree to the proposed boundaries of new PAs and extensions to existing PAs	Ka - H PK - H AI - L	Creation of new PAs and extensions to existing PAs will be delayed, the APAs proposals may have to modified, and at worst the proposals will fail completely	The MoEPNR and APA will use their influence to win support for the new PAs and boundary extensions. Also, the programme has the flexibility to change the target areas.
APA able to fill positions in PAs supported by the programme with qualified staff	Ka - H Ki - M PK - H AI - M	The impacts of the programme on management effectiveness will be reduced and impacts will not be sustained	Training provided by the programme be designed to give unqualified staff the knowledge and skills they need.
Appropriate staff are nominated for training activities	M	The impacts of the programme on management effectiveness will be reduced and impacts will not be sustained	Staff will be nominated on the basis of criteria prepared for each training measure.
Local self-governing bodies, Tourism Development Agency and Georgian Tourism Association collaborate constructively with the APA and the PMU in the elaboration of the strategies	Ka - H Ki - L PK - H AI - L	The strategies will not take full and proper account of the strengths and weaknesses and opportunities and threats in the target areas. Opportunities for cost-effective investments and for partnership funding may be missed	The tourism strategy development measure includes workshops in each selected PA which will be facilitate by an independent, Georgian tourism expert.

## 7. SUSTAINABILITY OF THE IMPACTS OF THE PROGRAMME

One of the biggest concerns for the programme as a whole is that the investments made by the programme will significantly increase the running costs and maintenance costs of the PAs without directly increasing their revenue. This is an unavoidable fact of any project of this kind. In the following section we will discuss the long-term cost implications of the investments and the ways in which these costs may be funded. We conclude by highlighting issues that KfW needs to keep in mind if it is to minimize these sustainability risks; in particular each proposal for investment in infrastructure must be accompanied by a robust and conservative estimate of the running and maintenance costs.

### 7.1 Estimation of additional running costs

The project envisages a range of fairly large capital investments. Most of these will bring increases in both running costs and maintenance costs of the protected areas. We asked the APA for estimates on running and maintenance costs for buildings, vehicles, horses, park infrastructure and ranger equipment. While they were able to provide estimates on the more obvious running costs such as vehicles, horses and offices, the APA were a lot less clear on estimates of maintenance costs, particularly when they related to physical infrastructure such as trails, rangers' shelters, administrative building or communication equipment.

The Consultant therefore had to combine the APA's estimates of running costs and our own, fairly conservative, estimates of maintenance costs in order to estimate the total annual costs produced by the programme's planned capital investments. The existing budget for each protected area is also listed for comparison:

**Table 13: New Costs<sup>24</sup> and Existing Budget for Protected Areas**

Protected area	New costs from project (Euro)	Existing budget 2010 (Euro)
Algeti	37,840	15,963
Kazbegi	49,440	20,551
Kintrishi	30,040	20,038
Pshav-Khevsureti	90,040	0

The increases in costs are very significant compared to the existing budgets. It is also important to note that this is only part of the increase in running and maintenance costs that will be associated with the programme. The APA plans to increase the number of

<sup>24</sup> Assumptions comprise: (1) running costs of administration and protection infrastructure and equipment (administration building, stables, and shelters, rangers equipment) including maintenance, heating and other, communication costs, fees and supplies), (2) food and maintenance of horses including medical checks, (3) fuel and maintenance of vehicles, (4) visitor infrastructure (maintenance, utility fees and office supplies)

rangers in each of areas and this will also bring with it significant annual increases in costs.

## **7.2 Options for covering the increase in running costs**

There are three main ways in which this increase in costs could be covered:

- Direct Financing from the Central Budget
- Revenue generation within the Protected Areas
- International Financing

### **7.2.1.1 Government Financing**

When we asked how projected increases in costs were to be funded, the APA expressed confidence that central government financing would meet any maintenance costs associated with new capital investment. The APA even suggested that this process is more-or-less automatic. We have not been able to verify the APA's statement.

Assuming dramatic increases in the APA budget allocation is a risky strategy: the government is working under difficult financial constraints; the national budget has been more or less unchanged for the last two years and the financial situation is unlikely to get better in the short to medium term. Given these facts it seems implausible to assume long-term financing by the state budget.

We are not saying that we think the government will NOT fund the protected areas, but it seemed obvious to the study team that this increase in funding would require considerable persuasion of the Ministry of Finance on the part of the APA. As a result we believe that the programme itself should try and help the APA produce information to support the (already assumed) connection between conservation and tourism. Demonstrating that financing PAs will have direct positive impact on tourism is the most obvious strategy for securing long-term finance from the Ministry of Finance. The Consultant recommends that the Transboundary Joint Secretariat carry out a study early in 2011 to analyse the experiences from Borjomi and identify lessons learnt.

### **7.2.1.2 PA Revenue Generation**

Rather than relying on the government for increased financing one option would be for the PAs to capture revenue from visitors either directly or indirectly. For PA revenue generation to alleviate sustainability issues three components are needed. First, there needs to be enough tourists visiting the sites. Second, the tourists either have to be required to pay for entry to the PA and/or they have to want the services which the PA provides. Third, the PA needs to be able to keep revenue that it produces, which is now the case.

The analysis of the financial benefits of the programme (see above) concluded that there may be opportunities to augment the revenue produced by the PAs, but most of the economic benefits will flow to those who work in the tourism industry and there is



no easy way that these can be captured by the PAs. As a result, it seems unlikely that revenue generation will cover a significant proportion of the protected area budget in the near future.

### **7.2.1.3 International Sources**

The final obvious source of funding for the protected areas is from international and bilateral organizations. Reliance on bilateral finance is rarely considered to be part of how one achieves 'sustainability' because most grant funding is, by its very nature, short-lived. In addition, relying on international finance is often seen as a dangerous strategy as donor financing can be fickle.

Certainly, in this case, it is important to distinguish between donors who are interested in relatively short-term projects and those that would consider providing financing long-term. As a result, the Caucasus Nature Fund is perhaps the most interesting resource because it has the capacity to offer long-term support for operating costs.

## **7.3 Sustainability solutions**

The concerns listed above do not constitute reasons for not funding the programme, though they are risks. More importantly, they highlight the importance for the implementing organization to look at all investments through the prism of sustainability and cost management.

For a start, it is important that the APA makes long-term financing part of its criteria for assessing potential investments. First, it is not really acceptable for the APA to assign zero maintenance costs to capital and equipment such as buildings, trails or communication equipment. All capital will need some maintenance and failing to budget for that is a sure-fire way to ensure that maintenance is ignored and investments rapidly lose value.

Second, it is important that efficiency is central to any capital investment. Vehicles should be selected for fuel efficiency and low-maintenance costs. Trails should not be built unless there is a good chance that they can be maintained so trails in hard to reach places should be built only under exceptional circumstances. Large visitor facilities should not be built unless there is a reasonable prospect that there will be large number of visitors to use them.

Third, the APA needs to elaborate a system-wide strategy for generating income from tourism. The strategy should address the range of services, delivery mechanisms (services provided by the APA using subcontracted service providers such as guides and horse owners; services provided by concessionaires who pay a fee to the APA). The strategy should be based on conservative estimates of the market demand. The strategy should also address the capacity of the PA's administrations to develop their tourism operations, whether by means of in-house services, concessions, or both.

Lastly, in order to strengthen the MoEPNR's and the APA's hands in the negotiations on state budget financing for the PA system it will be helpful to provide evidence of the

wider impact that the PA system has on Georgia's economic growth and, by implication, its public finance. The governments own tourism development strategy should make this relatively easy as cultural, ecological and adventure tourism are at the centre of their strategy to attract more high-spending Western tourists. Any evidence that can be provided to connect the APA to this strategy will make it easier to argue for greater central budget allocations in the future.

#### **7.4 Suggested financing agreement and disbursement pre-requisites**

The following conditions should be included in the financing agreement governing the programme in addition to the conditions that usually apply to KfW grants:

1. The recipient should make adequate provision to pay for the operational costs of the protected areas financed by the programme, including the incremental operational costs occasioned by the investments made by the programme in infrastructure, vehicles and equipment. The recipient should aim in the long term to be able to cover not less than 50% of the running costs of the PAs from state budget funding and income generated by the PA network, taking into account that the CNF should be able eventually to finance the remainder upon application by the APA.
2. Before the programme invests in equipment for the APA's central apparatus, for example GIS equipment, the recipient should provide a fully costed proposal, including a financing plan which demonstrates that the recipient will be able continue to make full use of the equipment and to maintain it after the programme has completed its activities.
3. Financing of the Pshav-Khevsureti PA in the second phase of the programme should be upon certain preconditions or milestones, which the recipient should achieve during the first phase. These are: (a) legal establishment of the PA; (b) staffing for the PA approved; and (c) budget allocation sufficient to cover additional running costs including staff costs.

## **8. FINAL VOTE**

In the Consultant's judgement the programme presented in the report is feasible in terms of completing the measures and achieving the results indicators and objective indicators. The risk of the assumptions from objective to overall goal not holding is significant but not so high as to jeopardise the programme. In order to mitigate the risk to sustainability brought by additional maintenance and running costs, investments in infrastructure and equipment should be made only after a thorough appraisal based on realistic assumptions about future running costs, income generated by the investment, and funding from the state budget.