



GEF

**Mohamed T. El-Ashry**

*Chief Executive Officer  
and Chairman*

## Global Environment Facility

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February 26, 2001

Dear Council Member:

I am writing to notify you that the World Bank, the implementing agency for the project entitled, *Georgia: Protected Areas Development Project*, has submitted the proposed project document for CEO endorsement prior to final approval of the project in accordance with WB procedures.

Over the next four weeks, the Secretariat will be reviewing the project document to ascertain that it is consistent with the proposal included in the work program approved by the Council in October 1998, and with GEF policies and procedures. The Secretariat will also ascertain whether the proposed level of GEF financing is appropriate in light of the project's objectives.

If by March 26, 2001, I have not received requests from at least four Council Members to have the proposed project reviewed at a Council meeting because in the Member's view the project is not consistent with the Instrument or GEF policies and procedures, I will complete the Secretariat's assessment with a view to endorsing the proposed project document.

We have today posted the proposed project document on the GEF website at [www.gefweb.org](http://www.gefweb.org). If you do not have access to the Web, you may request the local field office of UNDP or the World Bank to download the document for you. Alternatively, you may request a copy of the document from the Secretariat. If you make such a request, please confirm for us your current mailing address.

Sincerely,

cc: Alternates, Implementing Agencies, STAP

# OFFICE MEMORANDUM

DATE: February 21, 2001

TO: Mr. Mohamed El-Ashry, CEO/Chairman, GEF

FROM: Lars Vidaeus, GEF Executive Coordinator 

EXTENSION: 34188

SUBJECT: **Georgia: Protected Areas Development Project  
- Submission for Final CEO Endorsement**

1. Please find attached the electronic file of the Project Appraisal Document (PAD) for the above-mentioned project for your final review and endorsement. This project was approved for Work Program entry at the April 1998 Council meeting, under streamlined CEO endorsement procedures as the Conservation of Forest Ecosystems Project.

2. The PAD is fully consistent with the objectives, scope, and overall cost of the proposal approved at the April 1998 Council meeting. GEFSEC, STAP, and Council comments have been addressed. Modifications to the PAD and how comments have been addressed are detailed below.

3. The project title was changed to the Protected Areas Development Project based on a request of the Georgia GEF focal point to better reflect the institutional arrangements of the project. Thus the Department of Protected Areas will execute this project while the linked Forests Development Project will be implemented by the Department of Forestry. The change in title reflects an agreement among Georgian stakeholders to develop a comprehensive management system for Georgian Caucasus forest mountain ecosystems.

4. *Links with the Forests Development Project.* The Protected Areas Development Project and the Forests Development Project share the broad objective of achieving the conservation and sustainable use of Georgian forests, while their specific objectives are primarily tailored to conservation (primarily financed by GEF) and sustainable use (financed by IDA because it has clear national economic benefits). The two projects are strategically linked, but we are requesting CEO endorsement now for the Protected Areas Development Project in order to continue to collaborate fully in activities currently being financed through the advance of the loan for the Forests Development Project.

- The two projects collaborated during preparation to establish a policy framework for sustainable forestry, with passage of new legislation, the Forest Code, approved by Parliament (see issues 1-6 in Section B3 of the PAD). Preparing the new legislation was a lengthy and participatory process. The new Forest Code, together with the new Framework Law on Protected Areas, created the enabling policy environment for the two projects.

- A key area of collaboration will be planning for appropriate land and resource use (conservation or sustainable forest management) in the 7,420 sq. km. Central Caucasus planning region, an area of high biodiversity and commercial timber values. This critical planning activity is underway now under the loan advance for the Forest Development Project. Therefore, it is essential for the Protected Areas Development Project to become effective so that its staff can participate fully in this process to ensure that high biodiversity areas are designated for conservation. The output of this activity would be a comprehensive protected area plan for the Central Caucasus region, in accordance with IUCN categories. In high biodiversity areas, national parks and strict nature reserves would be managed for biodiversity protection by the Department of Protected Area. In forest areas classified for sustainable use, including timber products and environmental values, multiple use protected areas would be managed by the Department of Forestry.
- The main part of the Forest Development Project is scheduled for implementation in FY02. There is strong government commitment to this project, as evidenced by the \$1 million advance already taken against the loan. The \$20 million IDA financing is reflected as co-financing for the Protected Areas Development Project (see Section C3 of the PAD).
- The two projects will also collaborate in developing two corridor plans in the Eastern Caucasus that link conservation management in protected areas with adjacent state forest and pasturelands.
- To ensure that the two projects remain closely linked, they will be implemented through a shared project Steering Committee and jointly supervised by the World Bank.
- The Protected Areas Development Project is ready for implementation, has good support at all levels of government, and from local communities. We request CEO endorsement now to build on this momentum.

5. *Cofinancing.* The main co-financing for the project will be provided by the Forest Development Project, which is planned to go to the Bank Board in mid FY02 (\$20 million IDA, including the \$1 million advance on the loan which is already being used). Additional international cooperation is being supported with co-financing from the U.S. Government for a park partnership program between the Department of Protected Areas and the U.S. National Park Service that will include information sharing, exchange programs and technical assistance.

6. *Responses to Comments from Council.* The following paragraphs relate to responses to comments from the GEF Council members.

7. *Strengthened cooperation nationally and internationally* In response to comments from the GEF Council, the cooperation with the Forests Development Project was expanded to further strengthen landscape level planning for biodiversity objectives in

both the Central and Eastern Caucasus. As a result of this expanded collaboration, it was no longer necessary to have a separate national level protected areas planning activity. Also, the international transboundary cooperation component was reduced and included under the protected area components (component 2). The staff at the three project protected areas will collaborate with neighboring counterparts from Russia, Azerbaijan and Armenia on transborder biodiversity management issues. Transborder counterparts will also be invited to attend some training programs offered under the project. The project will also finance study tours and exchange programs with countries that have successfully combined biodiversity conservation with sustainable forest use.

8. *Key indicators to monitor project impact.* In response to the Council's comments, the project's monitorable indicators have been more clearly defined and activities added to monitor the social impact of the project. Key indicators of project impact include: (i) adoption by Government of a Protected Area Plan for the Central Caucasus, prepared in collaboration with the Forestry Project and supported by local communities; (ii) implementation of corridor plans on forest and pasture lands linking protected areas; (iii) recovery, through natural regeneration under improved management systems, of overgrazed forest and steppe habitats; (iv) population censuses of key target species show stable or increasing numbers in 2 of the last four year of the project; and (v) revenue from tourism and resource use covers at least 70% of non-salary protected area operating expenses by Year 6. Socio-economic monitoring has been included as a specific activity for each protected area, and will be carried out annually to measure the impact of project activities on local communities and resource users.

9. *Addressing causes of biodiversity degradation.* The project and the associated Forest Development Project are designed to address the root causes of biodiversity degradation, especially including unsustainable forest and range practices. Component 1 will assist the Department of Protected Areas and the Department of Forestry to: (i) incorporate biodiversity conservation objectives into regional resource management plans; and (ii) develop and implement plans to maintain ecological corridors between state forest and pasturelands and protected areas. At the three project sites (Component 2), the project will focus on (iii) finalizing management plans that ensure sustainable grazing, fuelwood collection and hunting, with input from local stakeholders; and (iv) promoting community participation in managing resources (e.g., sustainable use of fuelwood and non-timber forest products). The project will also build public support for biodiversity conservation and sustainable resource use at each project site and at the national level.

10. *Participation of local communities to promote sustainable use of natural resources and conservation of biodiversity.* Emphasis has been given to involving local stakeholders in project preparation and designing activities that involve them in sustainable resource practices and biodiversity conservation. Local stakeholders will be consulted to finalize the protected area management plans and will collaborate in resource management activities. Small grants will be available to local communities and NGOs to support activities that promote biodiversity conservation in the protected areas and their buffer zones. Activities for grant funding could include recovery of endemic

livestock varieties, small scale habitat restoration, environmental awareness days for local school children and marketing of non-wood forest products and park-based tourism activities.

11. *Enforcement and implementation of legislation.* The project and the associated Forest Development Project will seek to reinforce existing laws, including the new Forestry Code, established as part of project preparation. At the national level, the project will support review and rationalization of the legal framework for biodiversity conservation, to ensure that biodiversity concerns are harmonized into relevant sector laws and policies. At the project sites, community involvement will be key mechanisms for enforcement and ensuring biodiversity conservation and sustainable resource use.

12. Please let me know if you require any additional information to complete your review of the project document. We look forward to receiving your endorsement of the project for Bank Board approval.

#### Attachments

Project Appraisal Document

cc: Messrs./Mmes. King, GEF PROGRAM COORDINATION (GEFSEC);  
Shepardson, Brylski, Wuerffel, Zeki (ECSSD); MacKinnon,  
Castro, Khanna, Aryal (ENV); ENVGC ISC

Document of  
The World Bank

Report No:

PROJECT APPRAISAL DOCUMENT  
ON A  
PROPOSED GRANT  
IN THE AMOUNT OF US\$8.7 MILLION  
TO  
GEORGIA  
FOR THE  
PROTECTED AREAS DEVELOPMENT PROJECT

**Europe and Central Asia Region**

## CURRENCY EQUIVALENTS

(Exchange Rate Effective November 15, 2000)

Currency Unit = Georgian Lari (GEL)

GEL 1.0 = US\$0.51

US\$1.0 = GEL 1.97

## FISCAL YEAR

January 1 - December 31

## ABBREVIATIONS AND ACRONYMS

BSAP	Biodiversity Strategy and Action Plan
CAS	Country Assistance Strategy
COP	Conference of the Parties
DPA	Department of Protected Areas
DoF	Department of Forestry
EA	Environmental Assessment
EMP	Environmental Management Plan
FDP	Forestry Development Project
FSU	Former Soviet Union
GEF	Global Environment Facility
GEL	Georgian Lari
GIS	Geographic Information System
GOE	Government Owned Enterprises
GoG	Government of Georgia
IDA	International Development Agency
IDF	Institutional Development Fund
IPRSP	Interim Poverty Reduction Strategy Paper
MoE	Ministry of Environment
NEAP	National Environmental Action Plan
NGO	Non-governmental Organization
PADP	Protected Areas Development Project
PIP	Project Implementation Plan
PIU	Project Implementation Unit
PMR	Project Management Report
PPU	Project Preparation Unit
SA	Special Account
SOE	Statement of Expenditure
USNPS	United States National Park Service
WWF	World Wildlife Fund for Nature

Vice President:	Johannes F. Linn
Country Director:	Judy M. O'Connor
Sector Director:	Kevin M. Cleaver
Task Team Leader:	Phillip Bylski

**GEORGIA  
PROTECTED AREAS DEVELOPMENT PROJECT**

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#### MAP(S)

GEORGIA

Protected Areas Development Project

**Project Appraisal Document**

Europe and Central Asia Region

ECSSD

<b>Date:</b> February 21, 2001	<b>Team Leader:</b> Phillip Brylski
<b>Country Manager/Director:</b> Judy M. O'Connor	<b>Sector Manager/Director:</b> Kevin M. Cleaver
<b>Project ID:</b> P048791	<b>Sector(s):</b> VM - Natural Resources Management
	<b>Theme(s):</b>
<b>Focal Area:</b> B - Biodiversity	<b>Poverty Targeted Intervention:</b> N

<b>Project Financing Data</b>				
<input checked="" type="checkbox"/> Loan	<input type="checkbox"/> Credit	<input checked="" type="checkbox"/> Grant	<input type="checkbox"/> Guarantee	<input type="checkbox"/> Other:
<b>For Loans/Credits/Others:</b>				
<b>Amount (US\$m):</b> 8.7				
<b>Proposed Terms:</b>				
<b>Grace period (years):</b>			<b>Years to maturity:</b>	
<b>Commitment fee:</b>				

<b>Financing Plan:</b>	<b>Source</b>	<b>Local</b>	<b>Foreign</b>	<b>Total</b>
BORROWER		0.85	0.05	0.90
	GLOBAL ENVIRONMENT - ASSOCIATED IDA FUND	8.00	12.00	20.00
	GLOBAL ENVIRONMENT FACILITY	5.25	3.45	8.70
	GOVERNMENT OF UNITED STATES	0.00	0.15	0.15
<b>Total:</b>		14.10	15.65	29.75

<b>Borrower/Recipient:</b> GOVERNMENT OF GEORGIA
<b>Responsible agency:</b> DEPARTMENT OF PROTECTED AREAS

<b>Estimated disbursements ( Bank FY/US\$M):</b>							
<b>FY</b>	2001	2002	2003	2004	2005	2006	
<b>Annual</b>	0.70	2.00	2.00	2.00	1.50	0.50	
<b>Cumulative</b>	0.70	2.70	4.70	6.70	8.20	8.70	

<b>Project implementation period:</b> 5.5 years
<b>Expected effectiveness date:</b> 01/01/2001 <b>Expected closing date:</b> 12/31/2006

## **A. Project Development Objective**

### **1. Project development objective:** (see Annex 1)

The project objective is to conserve Georgian biodiversity through the creation of three ecologically and socially sustainable protected areas in forest ecosystems, and to build capacity for mainstreaming biodiversity conservation into the production landscapes which connect them.

### **2. Key performance indicators:** (see Annex 1)

The key performance indicators of project impact are:

- (a) Protected Area Plan for the Central Caucasus forest ecosystems supported by local communities and adopted by Government
- (b) Population censuses of key target species show stable or increasing numbers in 2 of the last four years of the project
- (c) Implementation of corridor plans on forest and pasture lands linking protected areas
- (d) Recovery, through natural regeneration under improved management systems, of overgrazed alpine and steppe habitats
- (e) Social indicators monitored at project sites show continued support for protected areas
- (f) Revenue from tourism and resource use covers at least 70% of non-salary protected area operating expenses by Year 6.

## **B. Strategic Context**

### **1. Sector-related Country Assistance Strategy (CAS) goal supported by the project:** (see Annex 1)

**Document number:** 17000-GE

**Date of latest CAS discussion:** 09/22/97

The conservation of Georgia's rich biological diversity and sustainable use of its natural resources, especially of its forests, is one of the CAS objectives. The CAS identifies the proposed Protected Areas Development Project and proposed IDA Forestry credit as tools to assist Government achieving this objective. The project will also support the CAS objective of private sector rural development through the provision of technical assistance to firms and individuals to provide nature-based tourism and develop alternative conservation-linked income generating activities.

#### **1a. Global Operational strategy/Program objective addressed by the project:**

Georgia, a mountainous country covering 70,000 km<sup>2</sup> with a population of 5.5 million people, is situated between the south slope of the Caucasus Mountains, the east coast of the Black Sea and the northern edge of the Turkish Anatolia plain. Forests cover 40% of the country (2.8 million hectares), largely in the Greater Caucasus Mountains (Georgia's northern border), the Lesser Caucasus (its southern border), and in intervening lowlands and foothills. The principal landscapes

of the Caucasus include foothill and mountain forests and subalpine meadows of the Greater and Lesser Caucasus; treeless mountain upland plateaus of the lesser Caucasus; humid lowland forests of western Georgia, and the arid steppe and deserts of eastern Georgia.

The project region, between the Caucasus Major and Minor mountain ranges of central and eastern Georgia, lies at a crossroad where the flora and fauna of at least three biogeographic provinces converge, resulting in high levels of biodiversity. In this region are found species typical of Europe (e.g., bear, lynx, wolf, chamois, red deer), Central Asia (e.g., Caucasian tur or mountain goat, leopard), and the Middle East regions (e.g., hyena, gazelle); many of these species are threatened elsewhere in their ranges. The varied terrain and climatic conditions contribute to a diversity of ecosystems and species. There are 572 vertebrate species (348 species of birds, 95 mammals, 52 reptiles, 13 amphibians, and 64 fishes).

The Georgian forests of the Caucasus Mountains contain over 200 plant community associations, and 120 species of trees, and 250 bushes. They include rich deciduous forests at lower elevations of oak, beech, lime, sweet chestnut, hornbeam, hazelnut and walnut, and conifer forests and alpine habitats at higher elevations. In eastern Georgia, forest ecosystems include threatened alluvial floodplain forest and pistachio woodland. Among its 4,500 species of vascular plants, nine percent are endemic to Georgia and 14 percent are endemic to the Caucasus region.

The Caucasus region has been identified by the World Wide Fund for Nature (WWF) as one of the Global 200 Ecoregions using selection criteria of species richness, levels of endemism, taxonomic uniqueness, unusual evolutionary phenomena, and global rarity of major habitat types. It has also been identified as an Endemic Bird Area, with several bird species and subspecies endemic to the region. The Caucasus region also harbors several wild close relatives of domestic food plants such as wild rye, wheat, barley, millet, wild pears, cherry, and over 200 varieties of grapes as well as at least nine important domestic animal breeds, including the Tusheti sheep, Tusheti horse, and the Caucasian sheep dog.

The project addresses conservation activities defined as priorities in the Georgia national biodiversity strategy, prepared with GEF support. The project will support *in-situ* conservation and sustainable use by strengthening and expanding protected areas in the Caucasus Mountains and by promoting forest management in the surrounding production landscape that is consistent with biodiversity objectives. The project is consistent with the GEF Operational Program for biodiversity conservation particularly in Mountain and Forest ecosystems. Project activities in Vashlovani National Park will also support conservation in semi-arid ecosystems.

The project responds to Conference of the Parties (COP) guidance by promoting capacity building, especially for NGOs; promoting conservation and sustainable use through adaptive management of forest landscapes; and supporting activities that meet the objectives of other international conventions. In particular, the project will support the objectives of the Bonn Convention by supporting conservation and monitoring of transboundary populations of threatened ungulates and their predators as well as, migratory raptors on Palearctic flyways. The project responds to COP IV guidance through its emphasis on a landscape approach to ecosystem conservation and support to innovative public, private and NGO partnerships to support

biodiversity conservation in forest and agricultural production landscapes.

## 2. Main sector issues and Government strategy:

**Sector Issues.** During the Soviet era, Georgia obtained its timber and timber products from Russia (up to 3.5 million m<sup>3</sup> annually), allowing its forests to be managed for protection and recreation. Like other countries of the former Soviet Union, social and economic conditions since independence have led to more intensive utilization of forests for income and subsistence. However, management of the forest sector is still weakly adapted to Georgia's current economic, social, and environmental needs, resulting in unsustainable forest practices and the degradation of globally significant biodiversity in Caucasus forest ecosystems. Two factors contributing to the unsustainability of forest use in Georgia are:

- Lack of investment in managing Georgia's forests for ensuring sustainable management and conservation for both goods (timber, non-timber forest products, and wildlife) and environmental services (e.g., watershed protection). The Department of Forestry is faced with the challenges of modernization at a time when the sector is faced with low state budgets for forest management. The problem is exacerbated by a steady rise in illegal and under-managed harvesting of timber and fuelwood. Similar problems are encountered in the management of mountain grasslands, which are being overgrazed by sheep.
- The current protected area network is inadequate for the purposes of protecting the areas of highest biodiversity in the Georgian Caucasus Mountains. At the time of its independence, Georgia's protected area network, modeled on the zapovednik system of the former Soviet Union (FSU), consisted of small, isolated, strictly protected reserves. The reserve system protects less than 2% of forests within the Georgian Caucasus Mountains and is managed solely for scientific research and education. In addition, the Department of Protected Areas (DPA) and the Department of Forestry (DoF) have been following a traditional division of resource management into "protection" and "production" functions, in contrast to more modern approaches of multiple use protected areas planning and management.

**Government Strategy.** Government has recognized the need to address the problems facing the forest sector in a comprehensive fashion. Over the last five years, Government, NGOs and concerned individuals have engaged in broad, participatory dialogue to better understand the problems and agree on the best way to ensure the protection of Georgia's unique forest ecosystems within the overarching objectives of reducing poverty and promoting economic growth. Consultations were undertaken to:

- Understand the problems and build consensus on priority actions. To better understand the problems and build consensus on their solutions, Georgian stakeholders have prepared three integrated strategies: a Forest Sector Strategy, a National Biodiversity Strategy/Action Plan, and a National Environmental Action Plan. These strategies identify the reform agenda and investment priorities for forestry, biodiversity conservation, and protected areas in Georgia; and
- Agree on an environment and natural resources management agenda within Georgia's goals of poverty reduction and economic growth. Government has prepared an Interim Poverty

Reduction Strategy Paper (IPRSP) which identifies its priorities and programs for reducing poverty. The IPRSP identifies improved forest management and conservation as one of Georgia's priorities for attacking poverty.

### **3. Sector issues to be addressed by the project and strategic choices:**

To implement the strategies noted above, Government has prepared two projects which will be implemented in parallel, with strong strategic and operational linkages: the Protected Areas Development Project and the Forests Development Project. These projects address the root problems facing the forest sector, including the conservation of Georgia's biodiversity.

The Forests Development Project (FDP) will establish sound forest management systems that improve the contribution of Georgia's forests to economic development and rural poverty reduction on an environmentally sustainable basis. The project will: (i) strengthen the regulatory and financial framework for sustainable forestry; (ii) strengthen capacity for forest management planning, through the adoption of national standards for sustainable forestry and certification and establishment of new forest information systems and a national inventory; and (iii) implement improved forest management plans, following completion of the landscape-level protected area planning in collaboration with the Protected Areas Development Project.

The Protected Areas Development Project (PADP) would collaborate with the FDP to prepare a protected areas plan for the Central Caucasus planning region and corridor plans linking protected areas in eastern Georgia. The PADP would establish local support groups to initiate consultations for a new national park in the Central Caucasus region. It would also create or expand three protected at highest priority biodiversity sites in eastern Georgia and implement management plans to improve biodiversity conservation there. The protected areas financed under the project would develop small-scale income generating activities for local communities related to tourism, in order to improve benefit sharing by local communities and to help finance operational costs of the protected areas. The project would organize community based resource user groups and provide technical assistance for improved forest and pasture use to assist with the recovery of natural habitats in the multiple use zones of the national parks and in the buffer zones outside of the parks.

The main project alternative considered was to combine the Protected Areas Development and Forests Development projects into a single project. The Government of Georgia rejected this alternative because: (i) of the need for the PADP to improve the protected areas network to ensure protection of highest biodiversity areas values, as quickly as possible; and (ii) a single project designed to achieve the specific objectives of both projects would be too risky because of its high complexity.

To ensure that the two projects remain closely linked, they will be implemented through a shared project Steering Committee and jointly supervised by the World Bank. The two projects would jointly finance preparation of a regional protected area plan for the Central Caucasus that emphasizes multiple use management objectives and incorporates biodiversity conservation concerns into forest management planning. The projects will also collaborate in developing two corridor plans in the Eastern Caucasus that link conservation management in protected areas with

adjacent state forest and pasturelands. These collaborative zones are intended to model future integrated planning methodologies that would eventually be mainstreamed into the forestry planning process for the whole country.

Another strategic choice was to make needed improvements to the policy framework for the Forests Development Project and the Protected Areas Development Project during preparation, and thereby provide a foundation for project implementation. The table below summarizes the work completed on the joint policy framework during preparation of the projects.

<b>Joint Policy Framework for the Forests Development Project (FDP) and Protected Areas Development Project (PADP)</b>	
<b>Issues</b>	<b>Progress on Policy Framework</b>
1. Outdated forest policy framework, unresponsive to Georgia's reliance on forest goods and services	The legal framework for sustainable forestry is the new Forest Code, which was completed and adopted as part of preparation of the FDP, with inputs from the PADP. The Forest Code emphasizes principles of protection, sustainable development, and management of Georgian forests based on the Rio Declaration.
2. Lack of strategic planning	The PADP and FDP assisted in completing three strategic plans adopted during preparation of the two projects: the National Biodiversity Strategy/Action Plan, Forest Sector Strategy, and National Environmental Action Plan. At the site and resource management levels, the projects collaborated in the preparation of management plans for three protected areas and in strategic planning and stocktaking activities for landscape planning in the Central and Eastern Caucasus planning regions.
3. Incomplete framework and mandate on protected areas & provided primarily through the forest laws	The framework for protected areas is included in two new laws: the Forest Code and the Framework Law on Protected Areas, which establishes categories of protected areas consistent with IUCN standards.
4. Weak participatory approaches to forest use and public dialogue on forest conservation	A national dialogue on sustainable forestry and biodiversity conservation was launched through the education and awareness campaign of the Bank/WWF Alliance on Forest Conservation, the review and update of the Bank Forest Policy, and preparation of the FDP and PADP. Participatory methods of resource and protected area planning are emphasized in the PADP and FDP.
5. Inadequate public funding of forestry and protected area institutions	The FDP and PADP would manage separate revenue accounts which channel revenues back into resource management and protection.
6. Management and ownership of forests by centralized state authorities, lack of private investment and low economic efficiency	To assist with decentralizing forest management and empowering local and regional authorities and private individuals in forest management, the new Forest Code permits multiple forms of forest ownership (state, municipal & community, church, and private), long term leasing of forests and privatization of forest management activities.
7. Trade barriers in forest sector	The export ban on forest products was lifted, which will permit Georgia to receive fair market value for its forest products and reinvest these revenues back into sustainable management.



## C. Project Description Summary

**1. Project components** (see Annex 2 for a detailed description and Annex 3 for a detailed cost breakdown):

The table below summarizes the funding, by component, for the Protected Areas Development Project (PADP) and the associated IDA Forests Development Project (FDP).

Component	Sector	Indicative Costs (US\$M)	% of Total	Bank financing (US\$M)	% of Bank financing	GEF financing (US\$M)	% of GEF financing
1. Support Protected Areas Planning (FDP: planning activities within the Improve Forest Management component*)	Natural Resources Management	6.87	23.1	6.00	30.0	0.86	9.9
2. Establish Protected Areas Management and Build Awareness of Biodiversity Conservation (FDP: 'Improve Forest Management' and 'Support Community Forestry' components*)	Natural Resources Management	16.68	56.1	10.00	50.0	5.81	66.8
3. Reorganize and Strengthen the Department of Protected Areas (FDP: Institutional and Regulatory Reform component*)	Institutional Development	4.48	15.1	3.00	15.0	1.34	15.4
4. Project Management	Institutional Development	1.72	5.8	1.00	5.0	0.69	7.9
<b>Total Project Costs</b>		29.75	100.0	20.00	100.0	8.70	100.0
<b>Total Financing Required</b>		29.75	100.0	20.00	100.0	8.70	100.0

\* The total cost of the two projects is US\$29.75 million, including US\$8.7 million in GEF funding for the PADP and US\$20 million in IDA funding for the FDP.

The project would support protected area planning in the Central Caucasus and ecological corridor planning in the Eastern Caucasus; finalize management plans at three protected areas and build the capacity of the Department of Protected Areas (DPA) to implement them, and build public support for biodiversity conservation. The project includes the following four components:

**Component 1: Support Protected Areas Planning.** The Protected Areas Development Project (PADP) and the Forests Development Project (FDP) would collaborate in the preparation of a protected area plan for the Central Caucasus Planning region, and on two corridor plans in the Eastern Caucasus planning region.

Three activities would be implemented jointly by the PADP and FDP for the 7,430 sq. km

Central Caucasus planning region: (i) inventories and analyses of the landscape diversity, as inputs to the protected area planning process. The PADP would finance biodiversity studies and the FDP would finance inventories of forest resources; (ii) harmonization of the policies and classifications for land-use, resource-use and protected areas, resulting in a unified classification of protected areas for the Central Caucasus region, and (iii) preparation of a protected area plan, with management plan guidelines for each protected area category (based on IUCN categories). In high biodiversity areas, national parks and strict nature reserves would be managed for biodiversity protection by the Department of Protected Area. In forests areas classified for sustainable use, including timber products and environmental values, multiple use protected areas would be managed by the Department of Forestry. Based on the results of the protected area plan, the FDP would prepare and implement management plans for individual protected areas under its mandate (i.e., IUCN categories V-VI), without GEF financing. The PADP would initiate consultations with local communities on establishment of one new national park in the planning region.

The PADP and FDP would also collaborate on two activities to promote biodiversity conservation in the production landscape in corridors connecting protected areas in two areas of eastern Georgia (i) the alluvial floodplain forests along the Alazani River, and (ii) the mosaic of grasslands and forests in key corridors connecting protected areas in the Caucasus mountains which provide critical habitat for globally threatened species such as the Dagestan tur, Caucasian black grouse and Caucasian snow cock.

**Component 2: Establish Protected Areas Management and Build Awareness of Biodiversity Conservation.** The PADP and FDP would expand the vision and capacity for multiple use management of protected areas of all categories in Georgia.

The PADP would implement management plans at three protected areas in eastern Georgia: the proposed Tusheti (115,800 ha) and Vashlovani National Parks (44,796 ha) and Lagodekhi Reserve (which would be expanded under the project from 17,932 to 25,400 ha). The key activities to be implemented are: (i) participatory finalization of management plans, following baseline surveys and applied studies to assess biodiversity, resource use (livestock carrying capacity, fuelwood collection, hunting) and potential visitor impacts; leading to (ii) improved resource management, with participation of local user groups; (iii) establishment of infrastructure to support park administration and visitor use; (iv) support to local communities in carrying out biodiversity-friendly activities in the park support zone through a small grants program; (v) community outreach to build public awareness of the project's objectives and encourage participation of local communities in the project; and (vi) professional development and training for DPA protected area staff in protected areas management, business planning and ranger training. The U.S. National Park Service (USNPS) would assist with mentoring and technical assistance to DPA staff at the three protected areas through training and exchange programs with "sister parks" in the U.S., focusing on park administration, site-specific park planning and management, visitor use, services and revenue generation. This assistance, co-financed by the U.S. Government, will also be provided to the DPA central department under component 3.

The FDP would revise and update the process for preparing forest management plans to ensure sustainable flows of goods (timber, non-timber forest products, and wildlife) and environmental services (e.g., watershed protection), and implement these over a part of the Central Caucasus planning region. The FDP would finance the technical (including biodiversity) and social inputs to the updated forest management plans, and implementation of the plans.

**Component 3: Reorganize and Strengthen the Department of Protected Areas.** Under preparation of the PADP and the FDP, the Department of Protected Areas (DPA; with assistance of the US National Park Service) and the Department of Forestry (with assistance of FAO), updated their mandates and identified priorities for institutional reform and strengthening.

The PADP would assist the Department of Protected Area to implement its mandate, to manage protected areas for the conservation and use of the country's landscape and biological diversity, through: (i) restructuring of the DPA into three branches (operations, planning, and administration); (ii) professional development and technical assistance in key areas, including public administration, protected areas and resource management, information management and GIS, tourism marketing and development; financial management and operation of the revenue account for new protected areas; and (iii) equipment needed to strengthen DPA management (office and transport). The project would also assist DPA to develop and implement standardized protocols for biodiversity monitoring in the project protected area and the corridors that connect them. It would also assist DPA to develop and implement a national strategy and action plan to build national support for biodiversity conservation and protected area management in Georgia.

The FDP would assist the Department of Forestry to implement its new mandate to establish sound forest management systems that would maximize the contribution of Georgia's forests to economic development and rural poverty reduction on an environmentally sustainable basis, through: (i) restructuring of the DoF and consolidation of district offices; (ii) development of national standards for sustainable forestry that would be incorporated into forest management guidelines and implemented in specific areas under component 2 of the FDP; (iii) establishment of forest information system and completion of a national forest inventory; and (iv) training and incremental logistical support (office and transport).

**Component 4: Project Management** includes support for operating costs of a Project Implementation Unit (PIU). The PIUs for the PADP and FDP would be in the Department of Protected Areas and the Department of Forestry, respectively.

## **2. Key policy and institutional reforms supported by the project:**

**Institutional reform.** Project would support restructuring of the Department of Protected Areas into a divisional structure which would more effectively permit it to meet its mandate. The proposed divisional structure would strengthen the DPA's role in resource management, visitor management, and financial planning and management. The proposed restructuring was the subject of technical assistance and a broad consultative process during preparation, through a partnership with the U.S. National Park Service. The USNPS has committed to continuing this partnership during implementation.

## **3. Benefits and target population:**

**Environmental:** The project will have environmental benefits through better protection for threatened ecosystems, improved management of forest and pasture resources, and protection against soil erosion.

**Financial:** The project will have financial benefits by promoting tourism use of the protected areas, and by improving the financial viability of the Department of Protected Areas through the collection of visitor and use fees and improved accounting practices. The targets of these benefits are the private sector currently providing tourism services, local communities which will be provided assistance in developing goods and services for sale, and the DPA.

**Institutional:** DPA will benefit from modernization of its mandate (from a control and command, protection orientation, to a participatory, multiple use orientation), and from the capacity-building activities needed to achieve this change in mandate.

**Social:** The project will support the development of user groups for pasture resources to ensure continuity in access to resources, to improve resource use practices, and assist in their participation in the management of the protected areas. The project's tourism developing activities are expected to provide local employment opportunities, though these can be expected to be modest.

## **4. Institutional and implementation arrangements:**

During project appraisal, it was agreed that the Department of Protected Areas would be the Executing Agency, and that the Ministry of Environment would continue to work in the areas of policy development and environmental regulation, especially through the collaboration in the protected areas planning component (Component 1), and in environmental review of infrastructure plans for the protected areas.

The Department of Protected Areas would be responsible for day-to-day implementation of the project under the guidance of the Project Steering Committee. The central department would be responsible for implementing the activities under the protected area planning component in the Central Caucasus (Component 1), and the institutional development component (Component 3), including annual work programming and budget planning, development of technical specifications for goods and services, procurement evaluation,

recruitment of staff, and quarterly reporting of project activities and outcomes.

The administrations of the Department of Protected Areas in Tusheti, Lagodekhi, and Vashlovani would be responsible for implementing the management plans under Component B. Each of these protected areas is staffed with a Director and technical specialists which have been responsible for preparation of these plans. Because many of the goods and services to be received by these administrations to implement the management plans are similar, the three administrations would collaborate to prepare draft technical specifications and terms of reference for goods and services to be provided by the PIU (Project Implementation Unit).

A PIU would be responsible for the procurement and financial management arrangements of the project including accounting, financial reporting and auditing. The PIU is currently the Project Preparation Unit (PPU) and is registered, under Presidential Decree, as the Protected Areas Development Center. The PIU would be responsible for (i) procurement of all goods and services; (ii) assisting the Department of Protected Areas to prepare an annual work program and budget, which will be approved by the Board; and (iii) coordinating the delivery of technical assistance provided by the National Park Service and international consultants. The Bank conducted a financial management capacity assessment and confirmed that the PIU satisfies the Bank's/IDA's minimum financial management requirements.

The project Steering Committee would approve the annual work-program and budget, provide policy guidance to the Department of Protected Areas on project implementation issues, and approve keystone work products. The Steering Committee will ensure democratic representation of the key governmental actors (Department of Protected Areas, Ministry of Environment, Department of Forestry, Ministry of Agriculture, and Academy of Sciences). The chairperson would be selected from outside aforementioned ministries/agencies, and preferably from the Parliament. The Steering Committee will be established through Presidential Decree and its composition modified in consultation with the Bank.

The Caucasus Working Group would be responsible for guiding preparation of the protected area planning activity in the Central Caucasus ecoregion and the corridor planning activities in the Eastern Caucasus region, with endorsing the reports, and facilitating their implementation. The Caucasus Working Group will be formed from the Central Caucasus Commission, with technical specialists representing the Ministry of Environment, Departments of Forestry and Protected Areas, Ministry of Agriculture (MoA), representatives of local governments, and environmental NGOs. Technical subgroups would be formed for each of three discrete planning activities (Central Caucasus protected area planning, eastern Caucasus mountain corridor planning, and eastern corridor floodplain forest planning), and would be responsible for all field and analytic studies, consultative workshops, and document preparation. The Caucasus Working Group will be established through Presidential Decree and its composition agreed to and modified in consultation with the Bank.

A five member local advisory committee would be established at each of the three protected areas to advise the DPA on project and park-related activities, and to ensure that local stakeholder opinions and concerns are heard. The five-member local advisory committee will include representatives of local resource user groups, district and village government, local communities, ethnic groups and NGOs.

## **Financial Management**

*Financial Management Assessment:* Responsibility for financial management of the project will rest with the PIU. A financial management specialist has been employed by the PIU since the beginning project preparation (summer 1999). An additional accountant will be recruited as required during project implementation. The Bank conducted a financial management assessment of the PIU and confirmed that the PIU satisfies the Bank's/IDA's minimum financial management requirements. However, the PIU does not have in place an adequate project financial management system that can provide, with reasonable assurance, accurate and timely information on the status of the project (PMRs) as required by the Bank/IDA for PMR-based Disbursements.

*Project Management Reports (PMRs):* Project management-oriented PMRs will be used for project monitoring and supervision. The formats of the PMRs (Cash Model) are included within the draft Operational Manual and will be confirmed during Negotiations. The PIU will produce a full set of PMRs for every calendar quarter throughout the life of the project beginning with the period ending 18 months after project effectiveness date. However, the PMRs showing the project's sources and uses of funds by disbursement category (PMR 1A), uses of funds by project activity (PMR 1B) and the project's Special Account Statement (PMR 1E) will be produced from project effectiveness and the four procurement management reports (PMRs 3A, 3B, 3C and 3D) will be produced within six months of project effectiveness.

*Disbursements:* Project funds will be initially disbursed under the Bank's established procedures, including Statements of Expenditure (SOEs). A move to PMR-based disbursements will be made at the mutual agreement of the borrower and the Bank and will be considered once the PIU is familiar with the project's monitoring aspects and is considered able to produce sufficiently timely and reliable project management information.

*Audit Arrangements:* External audits by independent private auditors acceptable to the Bank and on terms of reference acceptable to the Bank will be procured by the PIU through Least-Cost Selection and the selection of the project's auditors is condition of Board presentation. Annual audited financial statements of the project will be provided to the Bank within 6 months after the end of each fiscal year and also at the closing of the project. The contract for the audit will be extended from year-to-year with the same auditor, subject to satisfactory performance. The cost of the audit will be financed from the proceeds of the GEF Grant as an incremental operating cost.

## **D. Project Rationale**

### 1. Project alternatives considered and reasons for rejection:

During project preparation, the Ministry of Environment (MoE) was designated the Executing Agency because of its mandate under Georgian Law in developing environmental policies and laws and monitoring their implementation. MoE also played an important role during preparation by assisting the relatively less experienced Department of Protected Areas. During project appraisal, it was agreed that the DPA would assume the role of the Executing Agency. The capacity of the DPA was strengthened considerably during project preparation, so the change in the Executing Agency would not increase project risks. This change would permit the MoE to focus on its broad regulatory and policy development role in the protected areas planning component (Component 1). It would also allow DPA to demonstrate its ability to play its proper role in the protection and use of Georgian natural resources, and gain needed support to pursue its mandate.

### 2. Major related projects financed by the Bank and/or other development agencies (completed, ongoing and planned).

Sector Issue	Project	Latest Supervision (PSR) Ratings (Bank-financed projects only)	
		Implementation Progress (IP)	Development Objective (DO)
<b>Bank-financed</b>			
IDF-financed	National Environmental Action Plan		
IDA-financed	Cultural Heritage Project	S	S
	Forestry Development Project (under preparation)		
IDA and GEF-financed	Integrated Coastal Zone Management Project	S	S
	Agriculture Research Extension Training Project	S	S
GEF-financed	National Biodiversity Strategy/Action Plan		
	Black Sea Environment Program		
<b>Other development agencies</b>			
UNDP	Arid and Semi-Arid Eco-system Conservation in the Caucasus		
KFW	Borjomi-Karagauli National Park		

IP/DO Ratings: HS (Highly Satisfactory), S (Satisfactory), U (Unsatisfactory), HU (Highly Unsatisfactory)

### 3. Lessons learned and reflected in the project design:

Three lessons learned from GEF and Bank projects in the region are:

Projects should be initiated by building capacity for implementing project activities, and addressing policy changes needed for successful implementation. During the first year of

implementation, the project will focus in two areas: (i) institutional reform of the Department of Protected Areas; and (ii) building capacity in implementing project activities.

Projects should have broad support in the government, civil society, and local communities where the three protected areas are proposed to be created or expanded. The proposed project is recognized as a national priority and has the support of central and district government officials, local communities, and NGOs. Evidence of this support is seen in that:

(i) creation/expansion of the three project protected areas have been approved by the district governments; (ii) the public meetings held during the project appraisal were well-attended, and highly supportive of the project; and (iii) support for the project has been received from central government individuals, including the President and the Speaker of the Parliament.

GEF projects should develop mechanisms to improve sustainability. The project addresses this through the development of tourism opportunities in the protected areas and would assist the local communities in participating in income generating activities that are consistent with the protected areas' biodiversity conservation priority. Analyses of tourism potential, willingness to pay, and estimations of revenue streams indicate that 70% of non-salary operating costs for the protected areas could be covered through visitor fees by Year 6.

The recommendations from the STAP review have been incorporated into the project design as follows:

i) Close cooperation and coordination with the Forests Development Project. Government has prepared the Protected Areas Development Project and the Forests Development Project with strong strategic and operational linkages. The projects have been linked in the following ways:

- The two projects collaborated during preparation to establish a policy framework for sustainable forestry, with passage of new legislation, the Forest Code, approved by Parliament (see issues 1-6 in Section B3 of the PAD). This and the new Framework Law on Protected Areas created the enabling policy environment for the two projects.

- A key area of collaboration will be planning for appropriate land and resource use (conservation or sustainable forest management) in the Central Caucasus, an area of high biodiversity and commercial timber values. This critical planning activity is underway now under the loan advance for the Forest Development Project. Therefore, it is essential for the Protected Areas Development Project to become effective so that its staff can participate fully in this process. The output of this would be a comprehensive protected area plan for the Central Caucasus region, in accordance with IUCN categories. In high biodiversity areas, national parks and strict nature reserves would be managed for biodiversity protection by the Department of Protected Area. In forests areas classified for sustainable use, including timber products and environmental values, multiple use protected areas would be managed by the Department of Forestry.

- The two projects will also collaborate in developing two corridor plans in the Eastern Caucasus that link conservation management in protected areas with adjacent state forest and



pasturelands.

- To ensure that the two projects remain closely linked, they will be implemented through a shared project Steering Committee and jointly supervised by the World Bank.
- ii) Ensure local participation in planning and implementation. For this, the project would establish local advisory committees, comprised of representatives of local resource user groups, district and/or village government, NGOs, women and other key stakeholders, to advise the DPA on project and park-related activities. User associations would be created to serve as focal points for project-financed technical assistance in natural resource management and to promote their organized participation in decision making. The small grants program would finance conservation activities by local communities, organizations, and individuals in the support zones outside of the three project protected areas.
- iii) Evaluate the need for institutional reform. An institutional capacity assessment of the Department of Protected Areas was carried out during project preparation, and identified key areas for improvement to be implemented under the project, including a new institutional structure. The U.S. National Park Service would provide mentoring and technical assistance to the project to assist with the institutional reform and strengthening, as described in Sections C1 and E4 of the PAD.
- iv) Evaluate the need for ex-situ conservation. No ex-situ conservation interventions are currently included in the project. In the Vashlovani area, it is hoped that the project's approach to addressing overgrazing and illegal hunting may result in the natural recovery of wild gazelle populations. During implementation, the need for captive breeding and reintroduction of gazelle will be evaluated and if required, would be financed through counterpart funds.

#### **4. Indications of borrower and recipient commitment and ownership:**

The project was developed on the basis of Georgia's commitments to international and regional conservation issues: Georgia ratified the Convention on Biological Diversity, is signatory to the Bonn and Bern Conventions, the Bucharest Convention for the Black Sea, and the Convention on International Trade of Endangered Species. The project also has strong country ownership and has benefited from full and participatory collaboration between all sectors of society, including central and district government, local communities, scientific institutions and NGOs.

Proposals for the creation or expansion of the three protected areas in eastern Georgia have been developed in close collaboration with local communities. According to the social assessment, although unemployment is the key concern among local communities around the project sites in eastern Georgia, these same communities support the project because they value the area's natural heritage. They also expect the project will help reverse natural resource degradation and develop tourism activities.

#### **5. Value added of Bank and Global support in this project:**

The Bank assisted Georgia with preparation of its National Biodiversity Strategy/Action Plan, National Environmental Action Plan, and Forest Sector Review, which together provide a

strategic foundation for the project. Through these and other activities, the Bank has developed an understanding of the environment and development issues facing Georgia, and gained experience with government and civil society.

Through the IDA/GEF financed Integrated Coastal Management Project, the Bank is assisting with a protected areas management activity in Kolkheti which will be linked with activities under the Protected Areas Development Project. The Kolkheti activities would benefit from the project's support to strengthen the central Department of Protected Areas, and through technical assistance in protected area management.

The GEF adds value through its global experience on the design, implementation, and financing of biodiversity conservation projects. GEF support is justified by the global significance of the biodiversity of the Caucasus region, the existing threats to ecosystem integrity and species survival, and the commitment of the government to implementing the project. GEF-supported initiatives have helped to foster greater collaboration between government agencies and NGOs in project preparation.

## **E. Summary Project Analysis** (Detailed assessments are in the project file, see Annex 8)

### **1. Economic (see Annex 4):**

- Cost benefit      NPV=US\$ million; ERR = % (see Annex 4)
- Cost effectiveness
- Incremental Cost
- Other (specify)

Incremental costs are estimated to cover project expenditure on components that have global benefits. Project activities that will yield global benefits are eligible for GEF financing. The incremental costs represent those activities that achieve global environmental benefits by (i) supporting protected areas planning; (ii) establishing protected area management and building public awareness of biodiversity conservation at three sites in the Eastern Caucasus; (iii) reorganizing and strengthening the Department of Protected Areas. Government has committed to financing US\$0.9 million for the GEF alternative; US\$2.0 million is leveraged under the IDA funded Forestry Development Project as associated funding; and USAID has mobilized US\$0.15 million. The GEF grant contribution toward the GEF alternative would be US\$8.7 million.

### **2. Financial (see Annex 4 and Annex 5):**

NPV=US\$ million; FRR = % (see Annex 4)

The project would finance investments in basic park infrastructure (establishment and maintenance of hiking trails, visitor shelters and information centers) and development of related services (advertising campaigns, training of park staff to provide interpretation services to visitors, informational materials for visitors) to promote tourism in the national parks. The project would benefit local communities by providing opportunities for obtaining income from increased visitor use of the parks (e.g., through sale of food, room services, handicrafts, and employment of locals as park rangers or wildlife guides to visitors). Visitor use of the protected areas would also improve the financial sustainability of the project's investments in improved protected areas management.

Two studies were carried out during preparation to analyze the potential for such economic benefits. First, an assessment of opportunities for ecotourism in the three project sites by an international tourism specialist found that:

- The natural and cultural landscapes of the Caucasus Mountains in Georgia provide medium to high potential as an international ecotourism destination. The areas with the highest potential among the project sites are Tusheti, Svaneti (included in the Central Caucasus planning study) and Lagodekhi.
- Targeted marketing must be an integral part of a tourism development strategy aimed at creating an image of Georgia as a tourism destination.
- The project's investments in facilities for improved park management (e.g., administration offices and information centers) and capacity to provide environmental education and park interpretation services to national and international visitors would also promote ecotourism.
- A medium case scenario of 5% growth for Georgian ecotourism (not only in the project sites), from a current level of 5000 tourists, would conservatively yield \$2.2M to local communities and \$7.8M Republic-wide by year 5 of the project

Second, residents of Georgia, short term business travelers, and expatriate residents of the region (Georgia, Azerbaijan, and Armenia) were surveyed to learn about their willingness to visit Georgian national parks and pay for visitor use services. The survey found that:

- The proposed national parks have a good potential to cover their annual operations and maintenance costs from tourism revenues in the long term when the project has been completed. In the light of the severe fiscal difficulties that the Georgian Government is experiencing, this financial sustainability would be crucial in ensuring long term conservation of biodiversity in the protected areas.
- Based on a medium case scenario for growth in demand, revenues could grow in year six to US\$234,000 in Tusheti, US\$64,000 in Vashlovani, and US\$115,000 in Lagodekhi. These numbers are from 1.15 to 2.71 times the costs estimated for operations, maintenance, and staff salaries for the protected areas.

These economic projections assume completion of park infrastructure and the capacity to manage the protected areas and their visitors. Currently, infrastructure is limited or lacking and staff lack the skills and other resources needed to ensure that visitor use of the protected areas occurs in a sustainable manner and is consistent with the protected areas' biodiversity conservation objectives. The project would build this capacity through technical assistance and monitoring programs in years 1-4 of the project. During this period, visitor use, and therefore revenues, would be managed to increase modestly, as the skills to ensure environmental sustainability of tourism are developed. Visitor fees and other revenues are planned to provide 70% of non-salary operations costs of the parks by year 6.

#### Fiscal Impact:

Owing to the financial constraints of Government, every effort has been made to minimize the fiscal impact of this project on the national budget. The Government contribution is estimated at US\$0.9 million, including US\$0.5 million in incremental investment costs, US\$0.3 million in

recurrent costs (of which US\$180,000 is an in-kind contribution for incremental staff) and US\$0.1 million in tax. Spread over six years, the fiscal impact of the Government's incremental contribution would be negligible.

### **3. Technical:**

The project's activities to expand the vision and capacity for protected areas management in Georgia and implement the new mandate at three sites would be the focus of the project's partnership with the U.S. National Park Service (USNPS). Under a Memorandum of Understanding signed with Government during project preparation, USNPS would provide mentoring and technical assistance to the DPA central department and the three protected areas (Tusheti, Lagodekhi Vashlovani). This assistance would focus on park administration, site-specific park planning and management, and visitor use, services and revenue generation. It would be delivered through visits to Georgia by experts in these areas from the USNPS, training and study tours to the United States for USNPS-organized training programs, and bilateral visits of park staff under the "sister park" relationships established between the project protected areas and U.S. National Parks.

### **4. Institutional:**

*Institutional Assessment.* The DPA staff are well educated and trained in technical areas and are highly committed to their current mission which focuses on protection of the natural resources within the nature reserves. An institutional capacity assessment carried out during project preparation identified the following key areas for improvement:

- leadership to facilitate institutional reform;
- adoption of mandate which reorients the DPA as a visitor-friendly agency charged with facilitating people's enjoyment of, and education about, protected area resources;
- development of activities which generate income for local communities and public sector management of the protected areas, based on updated protected area management policies and practices and development of capacities in marketing, public outreach and service delivery;
- improved communication and collaboration with other sectors (e.g. culture, tourism, and transportation) whose cooperation is essential to the agency's success; and
- development of agency identity and national profile that would help develop understanding of cultural and natural heritage and encourage visitation.

The management of protected areas developed under the FSU emphasized strict protection and research. This approach to protected areas management was appropriate when Georgian forests were managed for protection, and timber and timber products were obtained from Russia. Under Georgia's developing market conditions, there is a need to expand both the size and mandate of protected areas management to better address issues in the sustainable use of natural resources and the role of National Parks and other protected areas in promoting the country's tourism potential.

Under the project, DPA would manage a larger protected area system with the full range of IUCN protection categories (e.g., national parks, protected landscapes, etc.), expanding the role of protected areas in regional sustainable development. A concept for reorganization was initiated

with collaboration of the DPA and U.S. National Park Service. During the first year of project implementation, the mission and mandate of the DPA would be finalized based on the collaborations initiated during preparation, and would be adopted through a Presidential Decree.

#### 4.1 Executing agencies:

Section C4 of this PAD discusses the proposal to change the Executing Agency from the Ministry of Environment to the Department of Protected Areas (DPA). The Department of Protected Areas would implement the majority of activities.

#### 4.2 Project management:

The current staff of the Project Preparation Unit (PPU), which includes a director, procurement specialist, and accountant, is adequately familiar with Bank procurement, disbursement and financial management requirements. The PPU would form the Project Implementation Unit (PIU) following effectiveness. The PIU would be located within the Department of Protected Areas in Tblisi, and would handle all project procurement.

#### 4.3 Procurement issues:

An assessment of the PPU's capacity to implement the project's procurement plan was carried out in June, 2000. The review addressed legal aspects, procurement cycle management, organizations and functions, support and control systems, record keeping, staffing, general procurement environment and made a general risk assessment of the PPU. The review rated the project's risk with regard to procurement as high. The following actions would be implemented to mitigate this risk: (i) during the first six months of the project, the PIU procurement specialist would receive assistance from a procurement consultant contracted under the project, and should complete a procurement training course; (ii) the project launch workshop would include a comprehensive seminar on procurement and financial management, including preparation of bidding documents for each type of procurement method proposed in the Grant agreement; (iii) a book including all the standard bidding documents for relevant procurement methods would be provided to the PIU prior to project launch; and (iv) supervision missions would include a accredited procurement specialist to post review and resolve pending issues.

#### 4.4 Financial management issues:

*Financial Management Capacity:* The Bank conducted a Country Portfolio Financial Management Review (CPFMR) of all projects currently under supervision in Georgia and concluded that project financial management capacity is being progressively developed, inter alia, as a result of reforms in accounting and auditing and the creation of an independent accounting profession in Georgia. However, systematic capacity building in project financial management is needed if the Georgia portfolio of Bank-financed projects is to be implemented successfully. The main risks of the project's financial management arrangements are as follows:

- (i) Capacity of staff in the PPU. The CPFMR concluded that given the high demand for skilled financial professionals in Georgia, most of the newly-created PIUs reported difficulties in recruitment of skilled accountants, and in particular, accountants. The PPU, which would become the PIU when the project becomes effective, currently employs a full-time experienced financial management specialist whose responsibilities include maintaining accounts for the project preparation grant, project accounting, internal

controls and financial reporting. The Bank assessed these arrangements to be satisfactory, however, an additional accountant will be recruited to the PIU if required during project implementation.

(ii) Financial management systems. In respect of existing Bank projects' financial management systems, the CPFMR noted: generally, PIUs do not pay enough attention to basic internal control procedures; although most of the PIUs have operational manuals, during project implementation, these manuals are usually not much in use; and most of the accounting software packages used in Georgia are not supported by adequate access to technical support and information technology (IT) hotlines. To mitigate these risks for this project: the Bank reviewed the detailed design of the project's financial management systems, including its system of internal controls, and confirmed that these were documented in an operational manual; during project supervision, the Bank will, as recommended by the CPFMR, periodically review the operational manual to ensure that it is being adhered to and is up-to-date; and a locally supported software was selected, tested and implemented by the PPU.

(iii) Banking Arrangements / Special Account (SA). The banking sector in Georgia is relatively weak. During project preparation, the Government opened a Special Account in a commercial bank acceptable to the Bank, and a Transit account in a local commercial bank rated as Camel 1 or Camel 2 by the National Bank of Georgia. These arrangements were assessed by the Bank to have been satisfactory and therefore they will remain in place during project implementation. The CPFMR noted some financial irregularities in the management of existing Bank projects' transit accounts and thus it has been agreed for this project that the total amount held in the transit account will be limited to the equivalent of US\$ 5,000 and also, as recommended by the CPFMR, Bank project supervision will include periodic reviews of the transit account and its management in addition to reviews of the Special Account and other project accounts. The SA and transit accounts will be audited annually and the results made available to the Bank.

(iv) Auditing arrangements. The findings of the CPFMR conclude that project auditing arrangements for most projects in the Georgia portfolio are satisfactory. The CPFMR also clarifies that, despite progress made in terms of size of membership and professional development, the Georgia Federation of Professional Accountants and Auditors is not yet a member of the International Federation of Accountants (IFAC) and therefore the local audit firms certified by the Audit Council of the Parliament of Georgia are not yet eligible to carry out audits of Bank-financed projects. Membership of a professional accounting organization which is itself a member of IFAC is a pre-requisite for any audit firm to be considered acceptable to the Bank. However, the recent accounting and audit reforms have created an enabling environment for creating associations between international audit firms acceptable to the Bank and local audit firms. Thus the Bank will provide its no-objection to the auditor selected by the PIU prior to its appointment.

## **5. Environmental:**

Environmental Category: B (Partial Assessment)

5.1 Summarize the steps undertaken for environmental assessment and EMP preparation (including consultation and disclosure) and the significant issues and their treatment emerging from this analysis.

The project is classified as Category B. The project will have overall positive environmental impact by conserving biodiversity and improving natural resource use. The project would improve management practices in the use zones of the protected area to address the currently unsustainable levels of grazing and timber/fuelwood harvesting. The benefits of improving natural resource management would include increased productivity of grazing lands, better protection against soil erosion, and more sustainable use of biological resources. These benefits are expected to be realized in the medium to long terms. In the short term, forest and pasture use in areas which have been over-utilized would be reduced.

The issues covered in the environmental management plan are:

- the small-scale construction and/or renovation of national park infrastructure, including administrative buildings, checkpoints and guard stations, trails and tourism infrastructure will have minor direct impacts on flora and fauna.
- the increase in recreational use of the three national parks under the project would have minor increases in noise and disturbance to wildlife and may require refuse collection at frequently visited sites.
- the link to the proposed Bank Forestry Development Project (FY002) will positively contribute to the sustainable forest management through improved information on flora and fauna in the Caucasus region, and recommendations how to best integrate biodiversity conservation objectives into forest management planning and landscape-level zoning for protected and production areas based on ecological principles.

#### 5.2 What are the main features of the EMP and are they adequate?

Mitigation measures provided for in the EMP found in the project file are adequate and include:

Siting and construction: (i) inventories of flora and fauna would be included in the infrastructure plan to be developed in the first year of the project; (ii) the Ministry of Environment will supervise preparation of site specific environmental plans before issuing permits for construction activities, in accordance with the Georgia Law on Environment Assessment; and (iii) the public will be consulted at all stages of project implementation.

Increased visitor use: (i) visitor use would be modest during the project life in order to focus on building service capacity on interpretation services and visitor management; (ii) the project would provide technical assistance in visitor management and impact monitoring.

#### 5.3 For Category A and B projects, timeline and status of EA:

Date of receipt of final draft: June 15, 2000

#### 5.4 How have stakeholders been consulted at the stage of (a) environmental screening and (b) draft EA report on the environmental impacts and proposed environment management plan? Describe mechanisms of consultation that were used and which groups were consulted?

The preparatory work for the individual protected areas was initiated through regional support groups, which include local community members and NGOs in the project region (see Social Assessment summary below). The results of the environmental assessment and recommended environmental management plan were the subject of consultations with local communities in June 2000.

5.5 What mechanisms have been established to monitor and evaluate the impact of the project on the environment? Do the indicators reflect the objectives and results of the EMP?

The project supports activities to monitor and evaluate the impact of the project on the environment, and ecosystem health within the proposed protected areas. Information on biological, geological, hydrological and cultural systems, as well as ownership and user rights and economic activities will be compiled for both baseline and periodic monitoring purposes. At the individual protected area sites, the project will finance monitoring and applied research to fill major gaps in the existing information on the biodiversity. Training and technical assistance will be provided to ensure that appropriate monitoring protocols for environmental and social aspects are established and management plans are updated accordingly.

## **6. Social:**

6.1 Summarize key social issues relevant to the project objectives, and specify the project's social development outcomes.

Annex 11 summarizes the results of the Social Assessment and Public Participation Plan, including socio-economic characteristics of the region, stakeholder attitudes and key issues relevant to the project objectives, and implications of these attitudes on project design. The total population living in the vicinity of the three project sites is estimated at 132,500. In general, this population supports their region's protected areas and the objective to expand these areas, improve their management, and promote tourism. Stakeholders living around the protected areas believe they would benefit from an increase in the quality of natural resources, due to improved management, and from project and tourism-related employment and income generating opportunities.

The project's social development objective is to engage local communities in improving the protection and sustainable use of biodiversity. To achieve this objective: (i) representatives of local communities would serve on the local advisory committees; (ii) local communities would receive extension services for sustainable forest and pasture use, veterinary services, and small-scale tourism and eco-marketing opportunities, and in the establishment resource user groups; and (iii) a small grants program would be implemented to promote the link between biodiversity conservation and income generation for local communities.

6.2 Participatory Approach: How are key stakeholders participating in the project?

The project includes several mechanisms to ensure stakeholder participation. At the national level, the project's cross-sectoral steering committee that guided project preparation would continue into project implementation. An inter-sectoral Caucasus Working Group would be responsible for the protected area and resource use planning activities in the Central and Eastern Caucasus. At the project sites, the project would establish local advisory committees, including representatives of local resource user groups, district and/or village government, NGOs, women and other key stakeholders, to advise the DPA on project and park-related activities. User associations would be created to serve as focal points for project-financed technical assistance in natural resource management and to promote their organized participation in decision making. The small grants program would finance conservation activities by local communities, organizations, and individuals in the support zones outside of the three project protected areas.

6.3 How does the project involve consultations or collaboration with NGOs or other civil society



organizations?

Georgian NGOs were deeply involved in project preparation, and would be encouraged to participate and lead activities during implementation, including local advisory committees and technical functions. International NGOs would be invited to share international experience in protected area management and would be eligible to bid on technical assistance packages. The project would benefit from its partnership with the U.S. National Park Service, which would promote transparency and participation of civil society.

6.4 What institutional arrangements have been provided to ensure the project achieves its social development outcomes?

The project would include a small grants program for biodiversity-friendly income-generating activities around the project sites. This program would be open to local stakeholders, community groups and NGOs, to support activities for raising awareness of biodiversity conservation, encouraging sustainable resource use and developing income generating activities that are consistent with the biodiversity conservation objectives of the protected areas. Eligibility criteria and application procedures for these grants would be designed early in project implementation with the participation of local stakeholders and would be subject to Bank review.

6.5 How will the project monitor performance in terms of social development outcomes?

The project would finance socioeconomic monitoring under implementation, building on the social assessment developed during preparation. The project would monitor the attitudes and needs of local stakeholders and communities and provide feedback on the implementation of project activities (education and awareness, enforcement, grazing management, development of nature based tourism).

## 7. Safeguard Policies:

7.1 Do any of the following safeguard policies apply to the project?

Policy	Applicability
Environmental Assessment (OP 4.01, BP 4.01, GP 4.01)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Natural habitats (OP 4.04, BP 4.04, GP 4.04)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Forestry (OP 4.36, GP 4.36)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Pest Management (OP 4.09)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Cultural Property (OPN 11.03)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Indigenous Peoples (OD 4.20)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Involuntary Resettlement (OD 4.30)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Safety of Dams (OP 4.37, BP 4.37)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects in International Waters (OP 7.50, BP 7.50, GP 7.50)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects in Disputed Areas (OP 7.60, BP 7.60, GP 7.60)	<input type="radio"/> Yes <input checked="" type="radio"/> No

7.2 Describe provisions made by the project to ensure compliance with applicable safeguard policies.

The project was rated environmental category B. An environmental assessment was carried out and discussed with local communities during project preparation. The assessment and record of the public consultations was submitted to the Infoshop before appraisal.

With regard to the Natural Habitats OP (4.04), the project would create two new national parks and finance small-scale infrastructure needed to manage resources and visitors. The project

would not support the conversion of natural habitats, would not construct linear features that would cut through natural habitats, would not affect the water supply to or drainage from natural habitats, and would not result in the resettlement or migrations of people that might adversely impact natural habitats. Rather, the project would help to protect and manage fragile ecosystems.

With regard to the Forestry OP (4.36), the project would finance the protection and conservation of forest biodiversity and increase the role of local peoples in the management of forests within the protected areas. The project would not directly or indirectly result in the loss of forests of high ecological value and would not finance commercial logging operations.

## F. Sustainability and Risks

### 1. Sustainability:

The sustainability of GEF projects elsewhere in the region has been considered good for capacity-building investments but uncertain overall due to weak state budget support for biodiversity conservation. The project has addressed the problem of financial sustainability by designing the project with activities to promote nature-based tourism, and to collect user fees to finance the protected areas' basic maintenance costs.

### 2. Critical Risks (reflecting the failure of critical assumptions found in the fourth column of Annex 1):

Risk	Risk Rating	Risk Mitigation Measure
<b>From Outputs to Objective</b>		
Political instability in the Caucasus region will slow project implementation	S	Project was developed with broad support at national and local levels, and would foster cooperation in transborder protected areas with Russia.
Lack of public support for biodiversity conservation and protected areas	M	Project design incorporates views of local stakeholders. Project will also support a national outreach program for promoting the national parks
Insufficient incentives to attract and maintain qualified and motivated staff	M	Project will provide training in new skills and new career opportunities for DPA staff.
Insufficient domestic and international demand for tourism opportunities in the national parks	M	Assessments of tourism potential and demand indicate there is sufficient interest among potential users. Project will assist DPA to develop business plans for environmentally appropriate tourism services.
<b>From Components to Outputs</b>		

Lack of commitment of Government and non-governmental actors to cross sectoral planning	M	Project has established mechanisms for inter-sectoral communication and collaboration, especially among Department of Protected Areas, Department of Forestry, and Ministry of Agriculture, through a national level Project Steering Committee chaired at Parliamentary level and Caucasus Committee for specific activities in the Central and Eastern Caucasus.
<b>Overall Risk Rating</b>	M	

Risk Rating - H (High Risk), S (Substantial Risk), M (Modest Risk), N (Negligible or Low Risk)

### 3. Possible Controversial Aspects:

None.

## G. Main Conditions

### 1. Effectiveness Condition

#### *Conditions of project effectiveness:*

The Recipient has established a Project Steering Committee with experience and qualifications, and under terms of reference satisfactory to the Bank, and

The Recipient has selected an independent auditor with experience and qualifications, and under terms of reference satisfactory to the Bank.

#### *Conditions of disbursement:*

Prior to disbursement for Small Grants, under Component 2, the Recipient has adopted Small Grants Guidelines that are satisfactory to the Bank.

Prior to disbursement for reorganizing and strengthening the DPA, under Component 3, the central DPA has hired four additional staff under terms of reference and qualifications acceptable to the Bank.

### 2. Other [classify according to covenant types used in the Legal Agreements.]

#### *Management:*

The Recipient will maintain a Project Steering Committee.

The Recipient will maintain a Project Implementation Unit under terms of reference and qualifications satisfactory to the Bank.

The Recipient will maintain a financial management system acceptable to the Bank and have the financial records, accounts and financial statements for each fiscal year audited and submit a

certified audit report to the Bank within six months after the end of each fiscal year and also at the closing of the project.

***Project Implementation:***

The Recipient will provide the funds, facilities, services, and other resources needed for the Project.

The Recipient will submit its annual work plans and project budgets for each year of project implementation not later than November 30 of each year for review by the Bank.

The Recipient will furnish to the Bank, on or about June 31, 2004, a report on the progress of the project (incorporating the results of monitoring and evaluation activities) and sets out measures for achievement of project objectives for rest of Project.

***Monitoring, Review and Reporting***

The Recipient will maintain policies and procedures adequate to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Bank, the carrying out of the project and the achievement of the project's objectives.

The Recipient will prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Bank, a plan for the future operation of the Project.

**H. Readiness for Implementation**

- 1. a) The engineering design documents for the first year's activities are complete and ready for the start of project implementation.
- 1. b) Not applicable.
- 2. The procurement documents for the first year's activities are complete and ready for the start of project implementation.
- 3. The Project Implementation Plan has been appraised and found to be realistic and of satisfactory quality.
- 4. The following items are lacking and are discussed under loan conditions (Section G):

**I. Compliance with Bank Policies**

- 1. This project complies with all applicable Bank policies.
- 2. The following exceptions to Bank policies are recommended for approval. The project complies with all other applicable Bank policies.

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Phillip Brylski  
**Team Leader**

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Kevin M. Cleaver  
**Sector Manager**

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Judy M. O'Connor  
**Country Manager**

**Annex 1: Project Design Summary**  
**GEORGIA: Protected Areas Development Project**

Hierarchy of Objectives	Key Performance Indicators	Monitoring & Evaluation	Critical Assumptions
<p><b>Sector-related CAS Goal:</b>  <b>CAS Objectives:</b>            1. Protect the environment, support sustainable natural resources management, and foster private sector rural development</p>	<p><b>Sector Indicators:</b>            Creation of national parks in Eastern and Central Caucasus             Biodiversity conservation objectives integrated into forest and range management             Development of nature-based tourism plans</p>	<p><b>Sector/ country reports:</b>            Parliamentary gazette             CAS updates             Government State of the Environment reports</p>	<p><b>(from Goal to Bank Mission)</b>            Improved natural resources management contributes to poverty reduction             Continued Government support for market-based reform</p>
<p><b>GEF Operational Program:</b>            Support <i>in-situ</i> conservation, sustainable use, and capacity building</p>	<p>Increase in populations of key indicator and threatened species             Protected Areas Department restructured professional development and training activities</p>	<p>Independent evaluation by international panel             Annual and supervision reports</p>	<p>Continued Government commitment to biodiversity conservation</p>

Hierarchy of Objectives	Key Performance Indicators	Monitoring & Evaluation	Critical Assumptions
<p><b>Global Objective:</b></p> <p><b>Project Development Objective:</b></p> <p>Conserve Georgian biodiversity through the creation of three ecologically and socially effective protected areas and build capacity for mainstreaming biodiversity conservation into the production landscapes which connect them</p>	<p><b>Outcome / Impact Indicators:</b></p> <p>Protected Area Plan for the Central Caucasus supported by local communities and adopted by Government</p> <p>Summer population censuses of Caucasian tur show stable or increasing numbers in 2 of the last four years of the project</p> <p>Implementation of corridor plans on forest and pasture lands linking protected areas</p> <p>Recovery, through natural regeneration under improved management systems, of overgrazed alpine and steppe habitats</p> <p>Social indicators monitored at project sites show continued support for protected areas</p> <p>Revenue from tourism and resource use covers at least 70% of non-salary protected area operating expenses by Year 5.</p>	<p><b>Project reports:</b></p> <p>Annual reports from social and protected area monitoring programs</p> <p>National biodiversity information system</p>	<p><b>(from Objective to Goal)</b></p> <p>Continued Government commitment to biodiversity conservation and institutional reform</p>

Hierarchy of Objectives	Key Performance Indicators	Monitoring & Evaluation	Critical Assumptions
<p><b>Output from each Component:</b></p> <p>Forest resource and conservation plan for Central Caucasus Region adopted</p> <p>Corridor plan linking protected areas adopted for Eastern Georgia</p>	<p><b>Output Indicators:</b></p> <p>Central Caucasus Resources Plan completed, with proposed gazettement of one new national park</p> <p>Agreement reached with Department of Forestry and Ministry of Agriculture, local and regional government on guidelines for integration of biodiversity conservation into forestry planning and grazing management process</p>	<p><b>Project reports:</b></p> <p>Plans adopted or endorsed</p>	<p><b>(from Outputs to Objective)</b></p> <p>Government commitment to mainstreaming biodiversity conservation objectives into resource management activities</p> <p>Adequate stakeholder participation in policy formulation and in development and implementation of forestry and range management planning</p> <p>Local support for biodiversity conservation activities</p>



Management plans under implementation at three protected areas	Legal designation of 2 national parks and expansion of 1 nature reserve	Laws passed on creation of two new national parks, with mechanisms for park financing	National support for Georgia Protected Area Plan and local support for individual protected areas
Sustainable resource use in support zone	At least 90% of each management plan is implemented after 6 years of project implementation.	Gazettement of protected areas	Sufficient domestic and international demand for tourism opportunities in the national parks
Revenue generation and reinvestment system (governance and legal) in place for three protected areas	Resource user groups established and operational within protected area and support zone	Adoption of management plans	Social and political stability of the country consistent with development of a tourism industry
	Completion of successful biodiversity-friendly activities in support zone under the small grants program	Progress, and supervision reports, Project Management Reports (PMRs) (for all outputs)	
	Administrative system for receiving and managing user/entrance fees in place by the end of the 3 <sup>rd</sup> year of the project.		
	The amount of funds collected increases 20% by the end of the 6 <sup>th</sup> year relative to the end of the 3 <sup>rd</sup> year.		
DPA reorganized and strengthened	Statute for the new structure of the Department of Protected Areas is approved by the GoG by the end of the 1 <sup>st</sup> year of the project	Numbers staff trained/training courses completed	Sufficient incentives to attract and maintain qualified and motivated staff
	Institutional development plan for the DPA has been implemented at least 60% by the end of the 3 <sup>rd</sup> year and 90% by the end of the 5 <sup>th</sup> year.	Independent institutional evaluation	

<b>Project Components / Sub-components:</b>	<b>Inputs: (budget for each component)</b>	<b>Project reports:</b>	<b>(from Components to Outputs)</b>
Support protected areas planning	\$US0.87M	Progress, and supervision reports , Project Management Reports (PMRs)	Commitment of Government and non-governmental actors to cross sectoral planning  Adequate and timely Government counterpart financing
Establish protected areas management	\$US6.68M		
Reorganize and strengthen Department of Protected Areas	\$US1.48M		
Project management	\$US0.72M		

## **Annex 2: Detailed Project Description**

### **GEORGIA: Protected Areas Development Project**

#### **Objective**

1. The project objective is to conserve Georgian biodiversity through the creation of three ecologically and socially sustainable protected areas, and to build capacity for mainstreaming biodiversity conservation into the production landscapes that connect them.
2. The project would promote conservation and sustainable use of biodiversity of the Caucasus Mountains, an area that has been identified as one of the 200 globally important ecoregions for terrestrial biodiversity. Some important indicators of project success are: formulation and implementation of national policy on sustainable forestry and biodiversity conservation, implementation of landscape-level plans linking protected areas and commercial forest lands, establishment of an ecologically representative and viable protected area network that contributes importantly to the goal of protecting at least 10% of Caucasus forest ecosystems; recovery, through natural regeneration under improved management systems, of overgrazed forest and steppe habitats; increased population numbers of key threatened species; reduced hunting of large mammals, and development of nature-based tourism industry around the new national parks, acting as an incentive to protect biodiversity.
3. Management plans or management guidelines have been prepared for three protected areas in eastern Georgia which are the focal points of the project: the proposed Tusheti (115,800 ha) and Vashlovani National Parks (44,796 ha) and Lagodekhi Nature Reserve, which would be expanded under the project (from 17,932 to 25,400 ha). These protected areas form an altitudinal gradient from 100 to 4000 meters elevation comprising alpine, montane, and lowland forest, and arid lands. The sites contain some of Georgia's most important and threatened biodiversity, including critical habitat for unique large mammal fauna. The PIP contains a summary of the biodiversity values and threats for each protected area.

#### **By Component:**

##### **Project Component 1 - US\$0.87 million**

##### **Support Protected Areas Planning**

4. *Component Objectives.* Component 1 has two objectives in supporting protected area planning in Georgia: to support development of a detailed plan for biodiversity conservation and forest conservation for the Central Caucasus planning region, and to support corridor conservation planning in Eastern Georgia.
5. *Key Assumptions.* There is support for the project's planning activities within two consultative groups in place to guide them. The Protected Areas Development project's involvement is governed by a Steering Committee, currently comprised of 16 representatives of stakeholders from the executive, legislative, and scientific branches of Georgian government. A smaller group with stronger local representation, the Central Caucasus Commission, was established under the Forestry Development Project. Successful implementation of these planning initiatives under the project would require: (i) strong commitment from the Department of Protected Areas, Ministry of Environment, and the Department of Forestry; and (ii) technical assistance to the consultative bodies and the technical teams on implementing the activities.
6. *Expected Results.* The planning activities would yield: (i) a protected area plan for the Central Caucasus planning region which emphasizes multiple use management objectives, endorsed by the

government; and (ii) two corridor plans which would link management activities within protected areas with those on adjacent state forest and pasture lands.

*Prepare Protected Area Plan for the Central Caucasus Mountains Ecoregion*

7. The Central Caucasus Mountains Ecoregion is located on the southern slopes of the Greater Caucasus Mountains, bounded by the Nakra River to the west and Mamisoni Pass to the east. The 7,430 sq. km region is within the administrative districts of Oni, Ambrolauri, Tsageri, Lentekhi and Mestia, and represents three historical provinces of Racha, Lechkhumi and Svaneti. The region covers an elevational range of 700-4,000 m, and possesses unique biological, landscape, and cultural diversity, a number of endemic species of flora and fauna, and fragile forest and alpine habitats and ecosystems. To date, no protected areas have yet been officially designated in Central Caucasus Mountain ecoregion, adding to its vulnerability. Because of its importance and diversity, the ecoregion has been designated as a model area (also called the "laboratory zone") for joint activities to be financed by the Protected Areas Development Project and the Forestry Development Project (now under preparation).

8. A Caucasus Working Group, comprised of technical specialists from the key governmental stakeholders (Department of Forestry, Ministry of Environment, Ministry of Agriculture, Department of Protected Areas, and Academy of Science), would be responsible for implementing the Central Caucasus Protected Area Planning component and adopting its final report. The working groups would be financed by the Forestry Development Project (for forest management inputs) and the Protected Areas Development project (for biodiversity conservation inputs) would develop the report under the direction of the Commission:

9. Three activities would be carried out jointly by the Protected Areas Development Project and the Forestry Development Project:

- i) A stocktaking group of specialists would carry out inventories and analyses of the landscape diversity, biodiversity, forest resources, and social baselines in the five districts of the planning region. The Protected Areas Development Project would finance the biodiversity studies, share the costs of the landscape studies with the forestry project, and undertake a social assessment for Mestia District. This social assessment would complete a similar study already carried out for the other four districts of the ecoregion under the preparation phase of the forestry project. The analyses would provide recommendations for the ecoregional protected area plan with various categories of protected areas selected based on biodiversity significance, forest resources, ecosystem stability, fragility, carrying capacity, and connectivity.
- ii) A policy/legal group would rationalize the mandates of the Framework Law on Protected Areas and the Forest Code. This group would be responsible for analyzing the regulations and requirements for protected areas, including, *inter alia*, those defined in the Framework Law on Protected Areas and the Forest Code. The group would prepare recommendations to the Caucasus Working Group regarding harmonization and rationalization of policies and classifications regarding land-use, resource-use and protected areas under the current Georgian forestry and protected area laws. The outcome of the activity would be harmonized categories of protected areas for forest protection and use that would be adopted nationally.
- iii) A management planning group would develop a multiple use protected area plan for the

region, and management plan guidelines for the individual categories of protected areas present in the planning region. The regional plan may also include individual protected areas managed by local authorities. All such plans would be developed through public consultations and would include a definition of specific management objectives based on the balance of interests of conservation and local user communities, site-specific boundary designation, description of management regimes and responsibilities, and action plans for their implementation. The Forestry Development Project would then prepare management plans for priority protected areas under its mandate. The Department of Protected Areas would finalize management plans for the three protected areas in eastern Georgia (under Component 2), and would seek alternative financing (not under this project) for preparation of management plans in the Central Caucasus region.

*Prepare and Implement Corridor Plans in the Eastern Caucasus Mountains*

10. The project would implement biodiversity conservation activities in two habitat corridors: one in floodplain forests and the other in alpine pastures.

11. Floodplain forests. The project would demonstrate improved management and restoration activities for alluvial floodplain forests along the Alazani River near Lagodekhi. The activities to be financed are: (i) an inventory (biodiversity, forests and wetlands, hydrology, and local uses) at a pilot site (a 7,000 ha fragment, and one of the largest remaining fragments of alluvial forest in Georgia); (ii) preparation of guidelines for multiple use protected area management plans, (iii) preparation of a management plan for the pilot floodplain forest and implementation of key activities to balance forest protection and use; (iv) preparation of a landscape-level analysis of the condition of floodplain forests along the 170km Alazani River corridor from Lagodekhi to the Azerbaijan border, with targeted field studies to identify specific needs and opportunities for improved forest protection. The biological field studies for this activity would be undertaken through the UNDP-financed Medium Sized Project (Arid and Semi-Arid Eco-system Conservation in the Caucasus) now under implementation; and (v) two national conferences on the state of floodplain forests in the Caucasus region to understand the magnitude of the problems, share management prescriptions such as those developed under the project, and raise awareness of the need for replicating such efforts elsewhere in Georgia and the region.

12. Eastern Caucasus Mountain corridor planning. The strict Nature Reserves (zapovedniks) and proposed national parks which would receive assistance under the project are necessary, but not sufficient, instruments to conserve the region's biodiversity. In addition to improved protected areas management, it is necessary to mainstream biodiversity conservation into the forest and pasture "production landscape." To promote landscape management in the Eastern Caucasus, the project would assist stakeholders to identify and develop management strategies for key corridor areas, which provide critical habitat for globally threatened species such as the Dagestan tur, Caucasian black grouse and Caucasian snow cock. Activities would be undertaken jointly by the Department of Protected Areas, Department of Forestry, and Ministry of Agriculture and Water Resources, and would include:

- i) mapping vegetation community types and rapid biological assessment;
- ii) developing a GIS-assisted GAP analysis, which would identify key corridors needed to maintain migration routes or preserve biodiversity within the protected areas;
- iii) undertaking field studies of ecosystem patterns and processes, the life history and limiting factors of target species such as Dagestan tur, Caucasian black grouse, and Caucasian snow

- cock. This would require assessing the distribution, abundance, movements, and home ranges of target species based on telemetry and observations of habitat selection and food habits/nutrition;
- iv) assessing population parameters for target species. This would require observation of such indicators as reproduction and survival rates, age structure and life history parameters, and behavior (e.g., object flight distance);
  - v) assessing human interactions and ecology. Assess grazing systems and develop acceptable mitigations for altering livestock stocking rates and hunting zones, based on consultations with key stakeholders (shepherds, local government, and Ministry of Agriculture); and
  - vi) developing and implementing conservation strategies for priority corridors, based on different levels of enforcement, education and training and no-hunting zones.

### **Project Component 2 - US\$6.68 million**

#### **Establish Protected Areas Management and Build Awareness of Biodiversity Conservation**

13. *Component Objectives.* The objective of this component is to develop protected areas at three sites in eastern Georgia which are effective in conserving the region's rich biodiversity and in generating revenue for local communities and park maintenance.

14. *Key Assumptions.* The success of this component relies on continued support from Government and local communities, and on strengthening the capacity of the administrations of the three target protected areas.

15. *Expected Results.* The expected results of this component are: (i) improved public sector management of biodiversity from technical, social, and financial perspectives; (ii) infrastructure in place that meets basic needs of park resource and visitor management; (iii) user group associations established and operational as focal points for collaborative protected areas management and capacity building exercises; (iv) transparent regulatory system for forest and pasture use in place; (v) increase in number of visitors to the protected areas; and (v) revenue generation system for financing recurrent investment costs tested.

#### *Finalization of Management Plans*

16. Management plans for the proposed Tusheti and Vashlovani national parks and Lagodekhi Reserve were drafted under project preparation. Early in project implementation, these plans would be finalized based on technical resource management inputs and on consultations with local stakeholders. Finalization of the plans would be based in part on data on biodiversity and resource management issues for each protected area, which would be collected and analyzed early in project implementation.

#### *Undertake Studies to Improve Park and Resource Management*

17. The project would finance monitoring and applied research to fill major gaps in the existing information on the biodiversity of the protected areas necessary for park zoning; to guide park management, and to evaluate the results of management actions.

- i) Development of the information base. Development of accurate resource maps of the

park, including vegetation types, elevations, animal migration routes, sightings/locations of key species, etc. This activity would include inventories of plants and animals and wild landraces of genetically important species.

- ii) Assessment of livestock carrying capacity and pasture monitoring. The project would develop and implement grazing management plans to effect the restoration of alpine meadow and steppe ecosystems, and reduce competition with tur.
- iii) Applied studies, which inform management decisions. Applied studies of target species and plant and animal communities would be carried out to inform better management decision-making. The target species would be selected on the basis of their usefulness as indicators of ecosystem health and on the staff's capacity and experience.
- iv) Visitor impacts. The management plan identifies areas where recreational, research, and resource use activities are allowed. The project would finance technical assistance, studies, and workshops to develop and implement a visitor management program which links basic monitoring functions (e.g., intensity and type of visitor use, habitat disturbance, soil compression), and develop and implement best practices for their mitigation (visitor education, rotational use of campsites, and restrictions).

#### *Support Professional Development in Protected Areas Management*

18. The project would finance professional development in three areas:

- i) Protected area management training. Training in protected areas management planning would be delivered through the U.S. National Park Service technical assistance program. This would include implementation of sister park relationships and onsite courses in forest and range management, and visitor management and interpretation.
- ii) Ranger training. Rangers would be trained in patrolling and enforcement, and working with local communities and user groups to build understanding and support for proper management of the protected area.
- iii) Business planning. Each of the protected areas would be involved in income-generating activities from tourism (entrance fees, the sale of books) and natural resource use fees (use fees for the use of pasture and forest resources within the park). The use of this income would be managed by each park administration through a revenue account. The park administration would receive assistance to develop and implement a business plan. The business plan would be updated annually, and would serve as a focus for defining and improving the services of the park, engaging the private sector in partnerships (e.g., concessions), setting prices, and maintaining an adequate financial management system. This activity would be implemented in coordination with the capacity building in public sector management provided through the institutional development component of the project.

#### *Establish Park Infrastructure*

19. The project would fund the infrastructure for establishing and managing the three protected areas as a necessary means to achieving the project's objectives of biodiversity conservation and promotion of

sustainable regional development. The infrastructure would include establishment of the park and reserve boundaries, and construction of an administration and visitors center, guard stations, roadway gates, checkpoints, and visitor management facilities. The project would also fund the removal of dilapidated structures currently found within the proposed national parks. The design for the protected area infrastructure would be consistent with traditional architectural styles of the region.

#### *Establish Nature Based Tourism Infrastructure*

20. The project would develop tourism as a means of promoting awareness and enjoyment of the protected areas, and to generate income for operational costs. A comprehensive hiking and horseback riding trail system connecting new lodges/shelters, local existing accommodations, and campsites have been mapped out in the project protected areas to create a 'Caucasus Mountain Trail Experience' for tourists. These trails vary in difficulty and length and are designed to serve a broad market of local and foreign nature tourists. The quality of the trail system would be standardized, whenever possible, and the hiking/horse back riding in the three different areas is designed to complement each other and can be marketed either as separate destinations or as a comprehensive "High Caucasus Trail" experience. In addition to trails and accommodations, infrastructure such as observation platforms, compost toilets, drinking water access and information/ interpretation infrastructure would be built.

#### *Build Local Awareness*

21. A community outreach program would build awareness of the project and its accomplishments, and promote the participation of local communities in the project. The program would include preparation and distribution of video films and slide shows on the protected areas and an education program for teachers and students. The film series would popularize conservation issues in the protected area and its support zone, and relate these to conservation issues on the national, regional and global levels. The films and slide shows would be tools used in the education program delivered by the protected areas staff. The education program would provide school teachers in the Support Zone with training and 'tool-kits' for environmental education activities to be incorporated into the curriculum. Because the contracts for these activities would be procured as a package for all three protected areas, the costs are summarized under Component C (for central DPA).

#### *Undertake Socio-Economic Monitoring to Inform Management Plan Implementation*

22. The integration of biodiversity conservation with traditional and non-traditional economic activities is necessary to achieve the project objectives. Social assessments to measure local dependence and impact on the Eastern Caucasus and Iori plateau ecosystems were undertaken as part of project preparation, and monitoring of socioeconomic indicators would continue throughout implementation. The project would monitor the attitudes and needs of local stakeholders and communities and provide feedback on the implementation of project activities (education and awareness, enforcement, grazing management, development of nature based tourism). The project would provide professional development and training to DPA in social assessments and human ecology studies, and fund the implementation of socioeconomic monitoring at each of the project sites and dissemination of results.

#### *Integrate Protected Area Plans into Regional and Local Plans*

23. Creation or expansion of the protected areas and finalization of their management plans would require updates and changes to municipal master plans and regional territorial plans. The project would finance the studies, reports, and workshops for making these changes, which are needed to harmonize the



protected areas and local and regional development plans.

*Implement Small Grants Program for Biodiversity-Friendly Activities*

24. The small grants program would: (i) support the activities by local communities and NGOs which promote biodiversity conservation in the protected areas and their support zones, and (ii) build awareness and support among local communities of the project and the role of extra-governmental in achieving these.

25. The program would be administered by a group of individual consultants selected based on their experience in biodiversity conservation, sustainable development, and poverty alleviation. The consultants contracted by the PIU to administer the project would: (i) prepare and disseminate the Small Grants Guidelines, including description, scoring and selection criteria, and call for proposals; (ii) hold workshops with local communities to build understanding of the objectives and criteria for selection and administration; (iii) monitor implementation of the individual grant contracts, and (iv) publish a bi-annual summaries of the competition, including descriptions of proposals received and selected, and the basis for their selection; and (iv) organize a conference and awards program in years 3 and 6 of the project for participants in the program to review results and disseminate the lessons learned.

26. Individual grants would be made on a competitive basis, and selected by the consultants administering the program, operating under transparent criteria and procedures. The eligibility criteria for individual projects would include direct support of protected area and conservation management objectives. The final payment for the grant award would require a brief report to the PIU that summarizes the project results of the project and use of funds.

27. The consultant group would chair an advisory committee comprised of Georgian NGOs, representatives of three protected areas, the Department of Protected Areas, and the Ministry of Environment. Activities must be within the project protected areas and their defined support zones. NGOs, local businesses, local administration, family groups, individuals and local communities would be eligible, but not staff of the government agencies engaged in project implementation or on the advisory committee. Details on the activities to be financed would be developed in year 1 of the project, but are expected to include:

- i) support for the recovery of endemic livestock varieties (e.g., Tusheti horse)
- ii) small scale habitat restoration or cleanup activities
- iii) an environmental summer camp for children
- iv) public education and awareness for biodiversity conservation using film, publications, and other media
- v) assistance to local communities in sharing the benefits of the protected areas such as through tourism-promoting activities.

**Project Component 3 - US\$ 1.48 million**

**Component C. Reorganize and Strengthen the Department of Protected Areas**

28. The management of protected areas developed under the FSU emphasized strict protection and research. This approach to protected areas management was appropriate when Georgian forests were

managed for protection, and timber and timber products were obtained from Russia. Under the transition, Georgia is increasingly turning to its forests and other natural resources to meet domestic demand and to generate exports. Under Georgia's developing market conditions, there is a need to expand both the size and mandate of protected areas management to better address issues in the sustainable use of natural resources and the role of National Parks and other protected areas in promoting the country's tourism potential.

29. *Component Objectives.* The objective of this component is to restructure and strengthen the Department of Protected Areas to update its mandate (assist in the protection and use of the country's landscape and biological diversity, focusing on the development of multiple use protected areas) and implement this mandate.

30. *Key Assumptions.* The success of this component would require partnerships with protected areas/natural resources management organizations in other countries, such as has been established with the U.S. National Park Service. This partnership is planned to continue during implementation.

31. *Expected Results.* (i) improved public sector management for protected areas, with organizational mandate, structure, and function more responsive to proactive management needs, and (ii) awareness inside and outside Georgia of tourism opportunities in the Caucasus mountains.

#### *Support to Institutional Reorganization*

32. Under the project, DPA would manage a larger protected area system with the full range of IUCN protection categories (e.g., national parks, protected landscapes, etc.), expanding the role of protected areas in regional sustainable development. A concept for reorganization was initiated with collaboration of the DPA and U.S. National Park Service. During the first year of project implementation, the mission and mandate of the DPA would be finalized based on the collaborations initiated during preparation, and would be adopted through a Presidential Decree.

33. The proposed divisional structure which would meet the three main functions of the DPA: operations, planning, and administration. The Division of Operations would be responsible for establishing operational policies and programs for resource and visitor management, enforcement, and outreach, as well as ensuring their consistent implementation by individual protected areas administrations. The Division of Planning would be responsible the development of system and unit management plans and maintaining the land status, inventory and monitoring data bases using Geographic Information System (GIS) technology. The Division of Administration would be responsible for preparing and executing the annual DPA budget, managing and monitoring all procurement, maintenance and reporting of the financial management system, and carrying out analyses of revenue generation and tourism trends. Brief job descriptions of the professional positions at the DPA headquarters are found in Attachment 1\* of the Project Implementation Plan.

#### *Build Capacity of the DPA to Administer the System of Protected Areas*

34. A training program would be implemented to build capacity and experience for all professionals in the DPA. The key topics for training are:

- Protected areas administration: The core administrative staff (director, deputy director, and program heads for protection, and accounting) would receive training in park administration through courses and mentoring by the U.S. National Park Service in country and in the U.S.

The output of the training would be an operation and administration plan, including job descriptions for all staff.

- Revenue account management. The laws creating new protected areas give the park administration the legal capacity to collect financial and economic resources, to retain them, and to allocate them to activities and sectors related to the management of the park. Technical assistance would be provided to develop an operational plan for the creation and use of the revenue account. The plan would address issues of governance of account use, proportion of revenue to be redistributed by central DPA, transparency, and auditing and reporting requirements. The first revenue account would be developed in year 2 of the project. The management of Project funds would be according to World Bank financial management requirements, and would be entirely separate from the revenue account. Administration financial staff would receive training to develop a computer-based financial recording and reporting system for financial and capital assets of the DPA. This system would be separate from the financial management system maintained for the Project expenditures. The project would also finance technical assistance for assessing the feasibility of developing a national park fund, which could receive financing from corporate or other sources.
- Technical training in protected areas and resource management. Appropriate staff from DPA headquarters would participate in the technical training in protected areas and resource management, which would be delivered through Component B for the three protected areas.
- Computer operations and GIS. The DPA staff would be trained in basic computer skills, development and operation of a PC-based GIS, and the development and maintenance of a DPA website.
- Tourism marketing and development: The project would finance technical assistance to the Department of Protected Areas to develop and implement a business plan for nature based tourism, working in partnership with the private sector, communities in the park support zones, and the national park administrations. This business plan would address first the DPA's role in assistance to development of Georgia's tourism industry. Individual action plans would be identified for the central Department of Protected Areas and the three project sites (Vashlovani and Tusheti National Parks, Lagodekhi Reserve).
- Monitoring. Training workshops would be developed for national experts from the Department of Protected Areas, counterparts in the Department of Forestry and Ministry of Environment, and scientists in the Academy of Sciences to develop a biodiversity monitoring action plan with linkages to national policy and management decisions.

#### *Develop and Implement a Biodiversity Monitoring Program for the Project Protected Areas*

35. The project would develop and implement standardized protocols for biodiversity monitoring in the project protected areas and the corridors which connect them to improve knowledge of the baseline conditions, assess the effectiveness of the project's improved management practices, and establish a long term strategy and capacity for biodiversity monitoring.

36. A scientific research panel established under project preparation developed a list of other target species based on criteria such as ecological significance, sensitivity to environmental change, ease of measurement, and existence of technical expertise within Georgia. Building on these recommendations, the

project would prepare and implement a monitoring program which includes the distribution and abundance of target species and landscape level analyses of forest fragmentation and pasture and steppe conditions. With regard to the target species, tur, Caucasian black grouse, and lammergeier were selected for detailed baseline studies and monitoring because of their importance in the eastern Caucasian ecosystem addressed by the project, and because of their threatened status in Georgia and the region. These studies are included under Component 2 of the project.

37. Under the project, the monitoring action plan would be finalized and monitoring protocols such as point counts of birds and mammals, aerial counts, scat counts/transects, and mapping of rare and endangered plant species with restricted distributions would be implemented. The action plan would also include landscape level analyses of forests and pastures, the implementation of which would include remote sensing techniques. Satellite imagery would be used to develop a spatial and temporal information system to identify land degradation as a result of overgrazing and deforestation in selected areas of the Eastern Caucasus ecosystem.

#### *Develop Informational Materials for Visitors*

38. The project would finance preparation of booklets, calendars, posters, field guides on Georgian biodiversity (e.g., the birds of Georgia, birds and flora of individual parks), and other informational materials on the natural and cultural landscapes of the protected areas, and the efforts for their conservation. These materials would be used for educational purposes in working with visitors and the local communities.

39. The capacity of DPA headquarters staff would also be strengthened through the provision of equipment, including transport (cars and four wheel drive vehicles), communications (stationery and portable radios as well as fax and computer equipment including printers and software), office (photocopier and backup power supplies), and related operating funds. This activity would be supplemented by training in computer operations.

#### **Project Component 4 - US\$0.72 million**

##### **Project Management**

40. The project would finance the operating costs of a Project Implementation Unit (PIU) located within the Department of Protected Areas. The PIU will be responsible for contracting for the delivery of goods, works, and consultant services to implement the project, and will work under the direction of the same multi-sectoral steering committee which was formed to guide project preparation. The PIU staff will include a project director, financial management specialist, an additional accountant if required, and one or more procurement specialists.

**Annex 3: Estimated Project Costs**  
**GEORGIA: Protected Areas Development Project**

Georgia  
Protected Areas Development  
Components by Financiers  
(US\$)

	Global Environment								Local (Excl. Taxes)	Duties & Taxes	
	Facility		Government		USAID		Total				
	Amount	%	Amount	%	Amount	%	Amount	%			
<b>A Protected Areas Planning</b>											
Caucases Plan	341.8	99.2	2.7	0.8	-	-	344.5	3.5	290.0	53.4	1.1
Eastern Caucasus Corridor Planning	520.7	98.7	7.0	1.3	-	-	527.8	5.4	146.8	380.2	0.8
<b>Subtotal Protected Areas Planning</b>	862.5	98.9	9.7	1.1	-	-	872.2	8.9	436.7	433.6	1.9
<b>B Biodiversity Conservation Management</b>											
<b>1. Lagodekhi Nature Reserve</b>											
Park protection, management & monitoring	998.2	85.9	132.4	11.4	31.5	2.7	1,162.1	11.9	519.0	625.3	17.8
Support Zone Activities	339.1	98.4	5.5	1.6	-	-	344.5	3.5	21.8	321.0	1.7
<b>Subtotal Lagodekhi Nature Reserve</b>	1,337.3	88.8	137.8	9.1	31.5	2.1	1,506.6	15.5	540.8	946.3	19.5
<b>2. Tusheti National Park</b>											
Park protection, management & monitoring	2,110.9	83.6	381.5	15.1	31.5	1.2	2,524.0	25.9	999.2	1,485.5	39.3
Support Zone Activities	375.4	97.9	8.0	2.1	-	-	383.4	3.9	25.6	355.2	2.7
<b>Subtotal Tusheti National Park</b>	2,486.3	85.5	389.6	13.4	31.5	1.1	2,907.4	29.8	1,024.7	1,840.6	42.0
<b>3. Vashlovani National Park</b>											
Park protection, management and monitoring	1,567.6	85.2	241.2	13.1	31.5	1.7	1,840.3	18.9	899.0	918.3	23.1
Support Zone Activities	420.5	98.4	7.0	1.6	-	-	427.4	4.4	25.6	399.4	2.5
<b>Subtotal Vashlovani National Park</b>	1,988.1	87.7	248.2	10.9	31.5	1.4	2,267.8	23.3	924.6	1,317.6	25.6
<b>Subtotal Biodiversity Conservation Management</b>	5,811.6	87.0	775.6	11.6	94.6	1.4	6,681.7	68.5	2,490.1	4,104.5	87.1
<b>C Strengthen Department of Protected Areas</b>	1,338.0	90.3	87.4	5.9	55.5	3.7	1,481.0	15.2	654.3	816.5	10.1
<b>D Project Management</b>	687.5	96.1	27.9	3.9	-	-	715.4	7.3	70.1	633.5	11.8
<b>Total Disbursement</b>	8,699.7	89.2	900.5	9.2	150.1	1.5	9,750.3	100.0	3,651.2	5,988.2	110.9

Georgia  
Protected Areas Development  
**Project Components by Year – Totals Including Contingencies**  
(US\$)

	<b>Totals Including Contingencies</b>						<b>Total</b>
	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	
<b>A. Protected Areas Planning</b>							
Caucases Plan	111.4	116.1	100.3	5.5	5.6	5.7	344.5
Eastern Caucasus Corridor Planning	<u>56.9</u>	<u>179.3</u>	<u>126.8</u>	<u>95.6</u>	<u>69.2</u>	<u>-</u>	<u>527.8</u>
<b>Subtotal Protected Areas Planning</b>	168.3	295.3	227.0	101.1	74.8	5.7	872.2
<b>B. Biodiversity Conservation Management</b>							
<b>1. Lagodekhi Nature Reserve</b>							
Park protection, management & monitoring	299.5	438.4	239.5	60.6	76.4	47.7	1,162.1
Support Zone Activities	<u>14.9</u>	<u>91.4</u>	<u>62.8</u>	<u>58.8</u>	<u>64.0</u>	<u>52.6</u>	<u>344.5</u>
<b>Subtotal Lagodekhi Nature Reserve</b>	314.4	529.8	302.4	119.4	140.4	100.2	1,506.6
<b>2. Tusheti National Park</b>							
Park protection, management & monitoring	602.2	629.7	819.2	202.2	179.5	91.3	2,524.0
Support Zone Activities	<u>19.9</u>	<u>96.6</u>	<u>72.0</u>	<u>64.8</u>	<u>71.3</u>	<u>58.8</u>	<u>383.4</u>
<b>Subtotal Tusheti National Park</b>	622.1	726.3	891.2	267.0	250.7	150.1	2,907.4
<b>3. Vashlovani National Park</b>							
Park protection, management and monitoring	243.9	570.9	726.4	108.6	122.7	67.8	1,840.3
Support Zone Activities	<u>17.5</u>	<u>147.8</u>	<u>85.5</u>	<u>58.8</u>	<u>64.0</u>	<u>53.8</u>	<u>427.4</u>
<b>Subtotal Vashlovani National Park</b>	261.4	718.7	811.9	167.5	186.7	121.6	2,267.8
<b>Subtotal Biodiversity Conservation Management</b>	1,197.9	1,974.8	2,005.5	553.9	577.8	371.9	6,681.7
C. Strengthen Department of Protected Areas	257.3	378.9	393.1	207.4	100.7	143.6	1,481.0
D. Project Management	<u>126.2</u>	<u>101.7</u>	<u>140.8</u>	<u>114.2</u>	<u>114.4</u>	<u>118.1</u>	<u>715.4</u>
<b>Total PROJECT COSTS</b>	1,749.7	2,750.7	2,766.4	976.5	867.6	639.4	9,750.3

Georgia  
Protected Areas Development  
**Disbursement Accounts by Financiers**  
(US\$)

	<b>Global Environment</b>								<b>For. Exch.</b>	<b>Local (Excl. Taxes)</b>	<b>Duties &amp; Taxes</b>
	<b>Facility</b>		<b>Government</b>		<b>USAID</b>		<b>Total</b>				
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>			
Works	1,884.8	85.0	332.6	15.0	-	-	2,217.4	22.7	421.9	1,795.5	-
Goods	1,620.4	89.5	190.3	10.5	-	-	1,810.7	18.6	1,245.1	503.3	62.3
CS, Training, Tours, Workshops	3,656.3	96.1	-	-	150.1	3.9	3,806.4	39.0	1,717.9	2,088.5	-
Sub-grants	600.0	100.0	-	-	-	-	600.0	6.2	-	600.0	-
Incremental Operating Costs	938.1	93.0	70.3	7.0	-	-	1,008.4	10.3	266.3	708.9	33.2
Recurrent Costs	-	-	<u>307.3</u>	<u>100.0</u>	-	-	<u>307.3</u>	<u>3.2</u>	-	<u>292.0</u>	<u>15.4</u>
<b>Total</b>	8,699.7	89.2	900.5	9.2	150.1	1.5	9,750.3	100.0	3,651.2	5,988.2	110.9

## **Annex 4**

### **GEORGIA: Protected Areas Development Project**

#### **Incremental Costs and Global Environment Benefits**

##### **Overview**

1. The general objective of the GEF Alternative is to conserve biodiversity in the Caucasus ecosystems of Georgia. The project development objective is to conserve Georgian biodiversity through the creation of three ecologically and socially sustainable areas, and to build capacity for mainstreaming biodiversity conservation into the production landscapes that connect them. The GEF Alternative will (i) support protected areas planning in the Central and Eastern Caucasus; (ii) establish protected areas management and build awareness of biodiversity conservation at three sites in the Eastern Caucasus; and (iii) reorganize and strengthen the Department of Protected Areas to conserve and manage biodiversity. This will include establishing ecologically effective protected areas, integrating biodiversity conservation into forestry and range management inside and outside of protected areas, improve monitoring of threatened flora and fauna, and effect their recovery, and improving public awareness of Georgian biodiversity. The GEF Alternative intends to achieve these outputs at a total incremental cost of US\$ 8.7 million to be financed by the GEF. The proposed GEF Alternative should be viewed as complementary to ongoing activities in the Georgian Caucasus region.

##### **Context and Development Goals**

2. Georgia, a mountainous country covering 70,000 km<sup>2</sup> with a population of 5.5 million people, is situated between the south slope of the Caucasus Mountains, the east coast of the Black Sea and the northern edge of the Turkish Anatolia plane. Forests cover 40% of the country, largely in the Greater Caucasus Mountains (Georgia's northern border), the Lesser Caucasus (its southern border), and in intervening lowlands and foothills. The principal landscapes of the Caucasus include foothill and mountain forests and sub-alpine meadows of the Greater and Lesser Caucasus; treeless mountain upland plateaus of the lesser Caucasus; humid lowland forests of western Georgia, and the arid steppe of eastern Georgia. In the project region between the Caucasus Major and Minor ranges of central and eastern Georgia, the flora and fauna of at least three biogeographic provinces converge, resulting in high levels of biodiversity. In this region are found species typical of Europe (e.g., bear, lynx, chamois, red deer), Central Asia (e.g., Caucasian tur or mountain goat, leopard), and the Middle East regions (e.g., hyena, gazelle). The varied terrain and climatic conditions contribute to a diversity of ecosystems.

3. The project and surrounding Caucasus region has been identified by the World Wide Fund for Nature's Global 200 Ecoregions program, based on the region's species richness, levels of endemism, taxonomic uniqueness, unusual evolutionary phenomena, and global rarity of Major Habitat Types. These ecosystems and the flora and fauna within them are under threat as a result forest harvesting, illegal hunting, overgrazing, agriculture and fishing. Converting the legal status of protection from existing Nature Reserves to expanded Protected Areas and drafting and implementing management plans of these areas will be critical to halting these threats to the ecosystem.

4. The broad development goals of Georgia focus on public sector restructuring; private sector development; social protection and poverty reduction; and environmental protection. The Government's overall development agenda attempts to focus on these issues consolidating the stabilization recently achieved, strengthening the current economic recovery while protecting the environment. The Government

of Georgia has taken important steps toward improved environmental management in recent years, including the development of a national strategies, recently approved framework environmental legislation and the development of specific environmental laws underneath this framework, activities under the Black Sea Environmental Program and some specific actions under the World Bank-financed Municipal Infrastructure Rehabilitation Project. An Institutional Development Fund (IDF) grant is helping the Government to prepare its National Environmental Action Plan (NEAP) currently in draft form, designed to detail environmental priorities, set the basis for future cooperation, and strengthen the Ministry of Environment, while at the same time a Bank/GEF Biodiversity Strategy/Action Plan is also being prepared. Environmental improvements will still face institutional challenges such as gaining cooperation from governmental agencies with no previous history/capacity in dealing with these issues, promoting public awareness, and building partnerships with NGOs. With World Bank and GEF support, the Government intends to preserve Georgia's rich environmental diversity and natural resources base for future generations by implementing the recently approved environmental legislation. The country's natural resources, such as the forests, will need to be appropriately managed to reduce illegal harvesting and damage, while appropriate commercialization policies fostering renewal and growth could allow for a new source of foreign exchange earnings.

### **Baseline Scenario**

5. The collapse of the Soviet Union in late 1991 and the attendant disruption in institutions that managed the economy until then has forced the Georgian economy into a tailspin. The civil salary structure is currently very low. It is in these difficult conditions that Georgia is attempting to establish the foundations of a market economy. The task is especially daunting because Georgia started the transformation virtually from scratch: existing institutions are ill suited to a market based economy, and there is a dearth of people who know and understand how the transition to a market economy is to be managed. Yet, unlike many of the other countries of the former Soviet Union, Georgia has a long tradition of high levels of education and entrepreneurship which should serve it well during the transition. The medium term prospects for the economy are good, based on robust growth in exports. There is a solid potential in agriculture, and services are likely to develop strongly. With appropriate macroeconomic stabilization policies and structural reforms, this potential can be achieved.

6. Since the transition, unsustainable timber harvesting, grazing, and game hunting have accelerated, and now pose a major threat to Georgia's diverse and abundant biodiversity. In addition, since the transition and the associated economic decline, local peoples are increasingly seeking to reestablish traditional/historical land uses that were disrupted for over 70 years under the former Soviet Union. In response to these activities, the Government of Georgia has begun to act to protect important natural resources and to preserve biodiversity.

7. Under the Baseline Scenario, it is expected that the Government of Georgia expenditures related to ecosystems management biodiversity conservation in the project area over the period of the project will be **US \$1.4 million** through the Department of Protected Areas and Department of Forest Management annual budgets.

8. A number of natural resource management and biodiversity conservation activities in Georgia are being financed by other international developing agencies, or will be under implementation through proposed IDA projects. These plus Government of Georgia contributions are summarized in the Incremental Cost Analysis matrix and discussed below:



- i. The US\$20 million **World Bank Forestry Development Project** under preparation is expected to have considerable direct biodiversity conservation benefits, addressing the root causes of forest biodiversity loss by promoting forest policy reform, preparing and implementing model sustainable forest management plans, and building the capacity to plan, better regulate, and monitor forest harvesting and sustainable use. The components related to these issues are valued at \$18 million. The additional \$2 million will contribute specifically towards forestry planning in the Central Caucasus and inclusion of biodiversity objectives in forest management plans in production forests, and is considered part of the incremental cost of the GEF alternative. Approximately \$100,000 of the \$350,000 PHRD preparation grant for this project was spent on preparing the framework the activities in the Central Caucasus and is, therefore, also considered part of the Baseline.
  - ii. Under the US\$7.6 million **World Bank Coastal Zone Management Project**, US\$3.3 million is being spent to improve protection and management of threatened forest and wetland natural habitats by establishing Kolkheti National Park and Kobuleti Nature Reserve.
  - iii. Components of the **WWF Georgia Conservation Environmental Education and Conservation Programs** which can be expected to bring specific biodiversity benefits *to the project region* in planning, protection policy and transboundary cooperation are estimated at US \$887,000.
  - iv. **UNDP Environmental Capacity-Building Project**. The project will strengthen MoE, especially in areas of information management and communication and professional development and training activities at national, regional, district, and municipal levels. The project also supports public awareness on environmentally related issues. The project activities which are expected to have specific positive benefits for biodiversity are estimated at US\$25,000.
  - v. A management plan for **Borjomi-Kharagauli National Park** has been prepared by WWF. Implementation of the plan is estimated to cost DM2.2 million / US\$1.08 million and will support activities to protect this important wilderness area through cooperative management between support zone communities and the protected area management team. A separate environmental education program, to support management at Borjomi-Kharagauli, will be funded by KfW (DM1.6 million / \$0.79 million).
  - vi. The **UNDP Arid and Semi-Arid Eco-system Conservation in the Caucasus Medium Sized Project** will conserve highly threatened arid and semi-arid ecosystems in the Caucasus through participatory planning and sustainable management of natural resources. The whole project is expected to have significant benefits for protection of biodiversity in the Eastern Caucasus. Total project costs are \$878,200, including contributions from GEF (\$750,000), FFI (\$30,000), GoG (\$12,000) and NACRES (\$45,200 and \$41,000 in kind).
9. **Costs.** Total expenditures under the Baseline Scenario are estimated at **US\$ 26.47 million** including **US\$1.41 million** from the Government of Georgia, **US\$22.18 million** through international cooperation, and **US\$2.88 million** from national and international NGOs.
10. **Benefits.** Implementation of the Baseline Scenario will result in improvements to the protection and management of biodiversity within the proposed protected areas and public awareness of the need for

biodiversity conservation. NGO efforts will serve to increase awareness of threats to biodiversity in the region and establish management plans for their protection in the project region. The Baseline Scenario will also address issues of capacity building within the Ministry of Environment and the elementary protection of the existing Nature Reserve areas. However, due to the extensive planning and investments needs to stabilize the status of biodiversity in the region during the period of transition, existing government resources and international financing efforts directed to forest biodiversity will not ensure protection of globally significant biodiversity in the expanded designated areas. In terms of protecting biodiversity in the Caucasus region, it is unlikely that the limited expenditures will have a significant impact on continuing damage to these fragile habitats.

### **Global Environmental Objective**

11. The GoG ratified the Convention on Biological Diversity in June 1994. The World Bank / GEF National Biodiversity Strategy/Action Plan (BSAP), finished in June, 2000, identifies the project region as a center of Georgian biodiversity, and the project activities as the highest priority for improving the protection of the threatened Caucasus ecosystems. The Forest Sector Strategy, prepared as an input for the National Environmental Action Plan, identifies the need to develop interdisciplinary forest planning, including through the integration of biodiversity conservation.

12. As a consequence of the current course of action, regarded as the Baseline Scenario, Georgia's diverse and abundant biodiversity will likely continue to suffer from unsustainable timber and fuelwood harvesting, overgrazing and associated disturbance, illegal hunting, and habitat loss and fragmentation.

13. **Scope.** The GEF Alternative would provide the means (above and beyond the Baseline Scenario) for expanding the existing Nature Reserves and National Park and drafting and implementing of management plans. The specific objectives of these management plans are: i) conservation of the biodiversity of the ecosystems within the project region through protection and management; ii) improved monitoring and applied research on biodiversity and effectiveness of conservation efforts; iii) establishment of infrastructure for improved biodiversity protection and development of nature-based tourism in the region; (iv) preparing and supporting Park administration and management; (v) strengthening public education and awareness; (vi) improving the integration of biodiversity conservation and range management outside of the proposed Parks; and (vii) improved coordination in the protection of Caucasus biodiversity.

14. **Costs.** The total cost of the GEF Alternative is estimated at **US\$38.22 million**, detailed as follows:

- i. Support Protected Areas Planning:** Preparation of protected area and forest planning in the Central Caucasus, and implementation of corridor plans in the Eastern Caucasus to link Protected Area management activities with adjacent state forest lands and conserve biodiversity in the Alazani and Alaverdi floodplains -- **US\$ 21.00 million (GEF financing - US\$ 0.86 million)**;
- ii. Establish Protected Areas Management and Build Awareness of Biodiversity Conservation:** Finalization of management plans at three protected areas (Tusheti, Lagodekhi and Vashlovani); resource and monitoring studies to inform park management, including assessments of livestock carrying capacity and pasture monitoring, applied studies of target species and plant and animal communities, and assessments of visitor impact; professional development in protected areas management; establishment of park infrastructure for establishing and managing the protected areas; development of informative materials for visitors; socio-economic monitoring to inform management plan implementation; integration of

protected area plans into regional and local plans; building public awareness and support for biodiversity conservation; and development of a small grants program for biodiversity friendly activities -- **US\$ 9.85 million (GEF financing - US\$ 5.81 million);**

**iii. Reorganize and Strengthen the Department of Protected Areas:** Activities for supporting institutional reorganization of DPA, professional development and training in protected areas operations and office administration, and development and management of eco-tourism -- **US\$ 6.65 million (GEF financing - US\$ 1.34 million);**

**iv. Project Management:** Support for operating costs of a Project Management Unit, located within DPA. -- **US\$ 0.72 million (GEF financing US\$ 0.69 million).**

15. **Benefits.** Implementation of the GEF Alternative would provide the means for establishing effective protected areas and integrating biodiversity conservation objectives into regional and local development activities. Global benefits would include the recovery of forest and steppe habitats and protection of endemic threatened flora and fauna and their recovery. Benefits generated from the project would also include the promotion of local and regional cooperation in biodiversity conservation.

#### **Incremental Costs**

16. The difference between the cost of the Baseline Scenario **US\$ 26.47 million** and the cost of the GEF Alternative **US\$ 38.22 million** is estimated at **US\$ 11.75 million**. This represents the incremental cost for achieving sustainable global environmental benefits. Of this amount, the Government of Georgia has committed to financing US\$0.9 million (including US\$0.5 in incremental investment costs), US\$2.0 million is leveraged under the IDA funded Forestry Development Project as parallel financing, US\$0.15 million is leveraged from USAID as co-financing, and US\$8.7 million is requested from GEF.

### Incremental Cost Matrix

<b>Component Sector</b>	<b>Cost Category</b>	<b>US\$ Million</b>	<b>Domestic Benefits</b>	<b>Global Benefits</b>
<b>Support Protected Areas Planning</b>	Baseline	<b>18.13</b>	Improved planning for the sustainability of production forests.	
	With GEF Alternative	<b>21.00</b>	Increased opportunities for alternative income generation based on sustainable utilization of biodiversity in buffer zones and protected areas.	Protection of globally significant biodiversity
	Increment	<b>2.87</b>		
<b>Establish Protected Areas Management and Build Awareness for Biodiversity Conservation</b>	Baseline	<b>3.17</b>	Maintained or increased flow of forest goods and environmental services. Some support for alternative income generation.	Limited conservation of globally significant biodiversity in the Caucasus Mountains and Iori Plateau.
	With GEF Alternative	<b>9.85</b>	Increased flow of goods and environmental services. Increased opportunities for income generation in rural communities.	Improved conservation of globally significant biodiversity in the Caucasus Mountains and Iori Plateau. Increased collection and analysis of information vital for conserving endemic flora and fauna.
	Increment	<b>6.68</b>		
<b>Reorganize and Strengthen the Department of Protected Areas</b>	Baseline	<b>5.17</b>	Improved forest policies.	
	With GEF Alternative	<b>6.65</b>	Increased public sector capacity to manage protected areas and generate income from tourist-based activities.	Increased public sector capacity to protect biodiversity.
	Increment	<b>1.48</b>		

<b>Project Management</b>	Baseline	<b>0.0</b>		Information sharing between Azerbaijan, Armenia and Georgia
	With GEF Alternative	<b>0.72</b>		Increased joint activities in transboundary areas.
	Increment	<b>0.72</b>		
<b>Totals</b>	Baseline	<b>26.47</b>		
	With GEF Alternative	<b>38.22</b>		
	Increment	<b>11.75</b>		

**Annex 5: Financial Summary**  
**GEORGIA: Protected Areas Development Project**

Years Ending  
FY2006

(by FY in US\$ million)

	IMPLEMENTATION PERIOD						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
<b>Total Financing Required</b>							
<b>Project Costs</b>							
Investment Costs	1.8	2.7	2.6	1.0	0.8	0.6	
Recurrent Costs	0.0	0.0	0.1	0.1	0.1	0.0	0.0
<b>Total Project Costs</b>	1.8	2.7	2.7	1.1	0.9	0.6	0.0
<b>Total Financing</b>	1.8	2.7	2.7	1.1	0.9	0.6	0.0
<b>Financing</b>							
IBRD/IDA	1.5	2.5	2.5	1.0	0.8	0.5	0.0
Government	0.2	0.2	0.2	0.1	0.1	0.1	
Central	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provincial	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Co-financiers	0.1						
User Fees/Beneficiaries	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Project Financing</b>	1.8	2.7	2.7	1.1	0.9	0.6	0.0

**Main assumptions:**

## **Annex 6: Procurement and Disbursement Arrangements**

### **GEORGIA: Protected Areas Development Project**

#### **Procurement**

##### **Summary of Procurement Procedures.**

Proposed procurement arrangements are summarized in Tables A and A1. Consulting services, goods and works financed by the Bank shall be procured in accordance to Bank procurement guidelines. All other procurement information, including capability of the implementing agency, estimated dates for publication of GPN, and the Bank's review process is presented in Tables B and B1.

**Project Implementation Unit.** The Department of Protected Areas (DPA) is the executing agency for this project. A Project Implementation Unit (PIU) established within the DPA and currently registered under Presidential Decree as the Protected Areas Development Center will be responsible for procurement, accounting, financial reporting and auditing. The PIU will be responsible for (i) the whole cycle of procurement of all works, goods and services under the project, including filing/record keeping of all related operations and activities; (ii) assisting the Department of Protected Areas to prepare an annual work program and budget, which will be approved by the Board; and (iii) coordinating the delivery of technical assistance provided by the National Park Service and international consultants. The Bank conducted a financial management capacity assessment and confirmed that the PIU satisfies the Bank's/IDA's minimum financial management requirements.

**Procurement Capacity Assessment.** An assessment of the PIU's capacity to implement the project's procurement plan was carried out in June 2000. The review addressed legal aspects, procurement cycle management, organizations and functions, support and control systems, record keeping, staffing, general procurement environment and made a general risk assessment of the PIU. The review rated the project's risk with regard to procurement as high. The following actions will be implemented to mitigate this risk: (i) during the first six months of the project, the PIU procurement specialist should receive assistance from a procurement consultant contracted under the project, and should complete a procurement training course; (ii) the project launch workshop should include a comprehensive seminar on procurement and financial management, including preparation of bidding documents for each type of procurement method proposed in the Grant agreement; (iii) a book including all the standard bidding documents for relevant procurement methods should be provided to the PIU prior to project launch; and (iv) supervision missions should include accredited procurement specialist to post review and resolve pending issues.

##### ***Procurement of Goods and Works***

Goods and works will be procured in accordance with the provisions of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997, and January 1999. The appropriate standard procurement documents issued by the Bank will be used with the minimum changes acceptable to the Bank.

**Participation of Government Owned Enterprises (GOEs) in procurement of goods and works.** GOEs willing to participate in procurement of works and goods financed by the Bank in this project should meet the Bank's eligibility criteria: they should be financially and legally autonomous and operate under commercial law in Georgia. Their status has to be properly clarified by interested GOEs before participating in any bid under this project.

**Procurement of Civil Works (US\$2.217 million).** Civil works are intended for construction of visitor centers, entrance buildings, lookout points, boundary markers, boardwalks and daytime tourist facilities at the three project sites. The following methods of procurement would be used:

**International Competitive Bidding or ICB (US\$1.473 million).** ICB procedures will be applied to works contracts estimated to cost US\$0.5 million and above.

**National Competitive Bidding or NCB (US\$0.413 million).** NCB procedures will be applied for works contracts estimated to cost below US\$0.5 million. For these contracts the ECA Regional Bank standard NCB documents will be used. All efforts should be made to ensure proper advertisement nationally, so that a wide range of contractors, including foreign contractors, if interested, can have the opportunity to bid.

**Procurement of Minor Civil Works or MCW (US\$0.331 million).** Minor civil works contracts with an estimated cost below US\$50,000. These works will be procured under lump-sum, fixed price or unit rate contracts awarded on the basis of quotations obtained from at least three qualified local contractors in response to local advertisement. The bidding document shall include a detailed description of works, including basic specifications, the required completion period, a basic form of agreement consistent with the standard document to be cleared by the Bank and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for work and who has the experience and resources to successfully complete the contract. A list of qualified contractors should be formed --and periodically updated-- by PMT by requesting at least every six months expressions of interest and relevant information from local contractors while advertising local minor civil works contract opportunities.

**Procurement of Goods (US\$1.811 million).** Visitor center equipment, aerial photographs, satellite images, information technology, audio-visual equipment, field equipment, vehicles, agricultural demonstration kits, office equipment and supplies will be grouped to the extent practical to encourage competitive bidding. The following methods will be used:

**International Competitive Bidding or ICB (US\$0.815 million).** Goods contracts for procurement of vehicles, radio-communication and field equipment, aerial photograph and satellite imaging, and tools and equipment estimated to cost above US\$100,000 or more will be procured through ICB procedures.

**National Shopping or NS (US\$0.470 million).** Goods contracts for horse equipment and restoration equipment estimated at \$50,000 or less up to an aggregate of \$470,000 may be procured through using NS procedures.

**International Shopping or IS (US\$0.453 million).** Contracts for the procurement of computers, generators, tractors and watertanks, estimated to cost less than US\$100,000 may be procured under IS procedures by obtaining competitive price quotations from at least three suppliers in two different countries. Award through IAPSO would be acceptable as an alternative to IS, and IAPSO could be invited as a supplier under the said IS procedures.

**Procurement of Services (US\$3.655 million).** Contracts for consultants' services will be awarded in accordance with the provisions of the "Guidelines for the Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January of 1997 and revised in September 1997 and January, 1999. The services financed under the grant are: design and works supervision, technical assistance for legal and regulatory review, park management, natural resource use and public awareness,



regional and other studies, small grant program management, audit and training, etc. Selection of Consultants and their contracts will be based on the standard documents issued by the Bank for the procurement of such services with the minimal necessary modifications as agreed by the Bank. Non-Governmental Organizations (NGOs) can compete in the selection process under the provisions of Bank Guidelines, provided that they have expressed their interest in doing so, and that their qualifications are satisfactory to both the Government and the Bank.

**Selection of firms (US\$2.420 million).** Quality-and Cost-Based Selection (QCBS) will be the preferred method for selection of firms in contracts with estimated values above US\$100,000. QCBS method will be used to select the technical assistance needed for park management and monitoring services. Fixed-Budget Selection (FBS) method will be used to procure a contract to develop a comprehensive management plan for protected areas in central Caucasus and management of small grants. Least Cost Selection Method will be applied to procurement of audit services and to produce promotional materials (video clips/films). Contracts estimated to cost less than US\$100,000 may be procured following the selection based on Consultants Qualifications (CQ) for development and implementation of management and monitoring plans and guidelines, research programs, in-service training, field guides, biodiversity information database and public awareness strategy, and design and supervision of construction, etc..

**Selection of Individuals (US\$1.235).** Unless otherwise agreed with the Bank, individual consultants will be selected on the basis of their qualifications for the assignment by comparing at least 3 CVs from potential eligible candidates. All consultancy positions will be advertised.

**Small grants (US\$0.60 million financed by the Bank).** Small grants to encourage sustainable resource use and promote park-friendly business activities will be awarded to project beneficiaries on a competitive basis at each of the project sites. The mechanisms for awarding these grants, including establishing grant committees and developing eligibility criteria, procedures for application and a monitoring system, will be determined within the first year of project implementation with the participation of local stakeholders and will be submitted for the Bank's approval before implementation. Small grants will be available for consultant services, goods, and works, for a maximum amount of US\$25,000 for each grant. All consultancies, goods and works financed by these grants will be procured under the basis of economy and efficiency, using selection based on Consultants Qualifications (for consultancies), and/or shopping or commercial procedures acceptable to the Bank.

#### **Review by the Bank of Procurement Decisions.**

**Goods and Works:** The following contracts are subject to Bank's prior review as set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines: (i) all ICB contracts; (ii) all works and the first two contracts for goods to be procured through NCB; (iii) each contract for goods and works estimated to cost the equivalent of \$50,000 or more; (iv) each contract for services estimated to cost the equivalent of \$100,000 or more for firms and \$50,000 or more for individuals. Also the first two contracts procured under IS procedures, the first two contracts procured under NS procedures and the first two contracts procured for Minor Civil Works are subject to prior review.

**Consultants:** With respect to consulting services, prior Bank review will be required for all terms of reference for consultants. Contracts for services estimated to cost the equivalent of \$100,000 or more for firms and \$50,000 or more for individuals are subject to Bank's prior review as set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines. For contracts with individuals, all terms of reference will be prior reviewed and for contracts costing US\$55,000 or more, the qualifications, experience, terms of reference and terms of employment shall be furnished to the Bank for its review and approval prior to contract

signature. All other contracts are subject to post review (one in 5 contracts). With respect to the selection of individuals, all consultancy positions will be advertised.

**Procurement methods (Table A)**

**Table A: Project Costs by Procurement Arrangements**  
(US\$ million equivalent)

Expenditure Category	Procurement Method <sup>1</sup>				Total Cost
	ICB	NCB	Other <sup>2</sup>	N.B.F.	
<b>1. Works</b>	1.47 (1.25)	0.41 (0.35)	0.34 (0.29)	0.00 (0.00)	2.22 (1.89)
<b>2. Goods</b>	0.67 (0.67)	0.37 (0.31)	0.70 (0.64)	0.08 (0.00)	1.82 (1.62)
<b>3. Services Training</b>	0.00 (0.00)	0.00 (0.00)	3.96 (3.96)	0.15 (0.00)	4.11 (3.96)
<b>4. Small Grants</b>	0.00 (0.00)	0.00 (0.00)	0.60 (0.60)	0.00 (0.00)	0.60 (0.60)
<b>5. Incremental Operating Costs</b>	0.00 (0.00)	0.00 (0.00)	0.70 (0.63)	0.00 (0.00)	0.70 (0.63)
<b>Recurrent Costs</b>	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.30 (0.00)	0.30 (0.00)
<b>Total</b>	2.14 (1.92)	0.78 (0.66)	6.30 (6.12)	0.53 (0.00)	9.75 (8.70)

<sup>1/</sup> Figures in parenthesis are the amounts to be financed by the Bank Loan/Grant. All costs include contingencies

<sup>2/</sup> Includes civil works and goods to be procured through national shopping, consulting services, services of contracted staff of the project management office, training, technical assistance services, and incremental operating costs related to managing the project.

**Table A1: Consultant Selection Arrangements (optional)**  
(US\$ million equivalent)

Consultant Services Expenditure Category	Selection Method							Total Cost <sup>1</sup>
	QCBS	QBS	SFB	LCS	CQ	Other	N.B.F.	
<b>A. Firms</b>	1.10 (1.10)	0.00 (0.00)	0.15 (0.15)	0.23 (0.23)	0.94 (0.94)	0.00 (0.00)	0.00 (0.00)	2.42 (2.42)
<b>B. Individuals</b>	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	1.54 (1.54)	0.15 (0.00)	1.69 (1.54)
<b>Total</b>	1.10 (1.10)	0.00 (0.00)	0.15 (0.15)	0.23 (0.23)	0.94 (0.94)	1.54 (1.54)	0.15 (0.00)	4.11 (3.96)

1\ Including contingencies

Note: QCBS = Quality- and Cost-Based Selection  
 QBS = Quality-based Selection  
 SFB = Selection under a Fixed Budget  
 LCS = Least-Cost Selection  
 CQ = Selection Based on Consultants' Qualifications  
 Other = Selection of individual consultants (per Section V of Consultants Guidelines), Commercial Practices, etc. Also includes workshop and study tour expenses.

N.B.F. = Not Bank-financed

Figures in parenthesis are the amounts to be financed by the Bank Loan/Grant.

Prior review thresholds (Table B)

**Table B: Thresholds for Procurement Methods and Prior Review** <sup>1</sup>

<b>Expenditure Category</b>	<b>Contract Value Threshold (US\$ thousands)</b>	<b>Procurement Method</b>	<b>Contracts Subject to Prior Review (US\$ millions)</b>
<b>1. Works</b>	> 500,000 <500,000 < 50,000	ICB NCB MCW	1.92
<b>2. Goods</b>	> 100,000 < 100,000 < 50,000	ICB IS NS	1.09
<b>3. Services</b>	> 100,000 < 100,000	QCBS, FSB or LCS CQ IND	1.90
<b>4. Miscellaneous</b>			
<b>5. Miscellaneous</b>			

**Total value of contracts subject to prior review:** US\$4.91 million

**Overall Procurement Risk Assessment**

**High**

**Frequency of procurement supervision missions proposed:** One every 6 months (includes special procurement supervision for post-review/audits)

Ex-Post review procurement will be part of the supervision missions and will be carried out by a PAS. A procurement capacity assessment of the PIU was carried out and it was decided that the PIU should be classified within the high risk zone. A plan to strengthen procurement capacity has been devised and it included the hiring of an international procurement consultant to provide advice and hands-on training of the PIU's procurement staff.

It is expected that, by the time of effectiveness, a year of procurement documentation will be ready. The project launch workshop is estimated to be taking place before the end of year 2000. No advance procurement is expected. The procurement monitoring system will be in place by the end of the year 2000 and will consist in a tracking of completion of procurement as per procurement plan.

<sup>1</sup>Thresholds generally differ by country and project. Consult OD 11.04 "Review of Procurement Documentation" and contact the Regional Procurement Adviser for guidance.

## Disbursement

### **Allocation of loan/grant proceeds (Table C)**

Disbursements will follow normal Bank procedures and will be made against the categories of expenditures indicated in Table C. The proceeds of the proposed project area expected to be disbursed over a period of six years. The anticipated completion date is June 30, 2006 and the closing date is December 31, 2006.

**Table C: Allocation of Loan/Grant Proceeds**

<b>Expenditure Category</b>	<b>Amount in US\$million</b>	<b>Financing Percentage</b>
Works	1.89	85
Goods	1.62	100% of foreign expenditures 100% of local expenditures (ex-factory costs) and 80% of local expenditures for other items procured locally
Consulting Services and Training	3.96	100
Small grants	0.60	100
Incremental Operating Costs	0.63	90
<b>Total Project Costs</b>	8.70	
<b>Total</b>	8.70	

### **Use of statements of expenditures (SOEs):**

Project funds will be initially disbursed under the Bank's established procedures, including Statements of Expenditure (SOEs). A move to PMR-based disbursements will be made at the mutual agreement of the Government and the Bank, and will be considered once the PIU is familiar with the project's monitoring aspects and is considered able to produce sufficiently timely and reliable project management information.

Use of Statements of Expenditures: Withdrawal applications would be fully documented, except for expenditures under: (a) contracts for goods valued at less than US\$50,000 each; (b) contracts for works less than US\$50,000 each; and (c) contracts for consulting firms costing less than US\$100,000 equivalent, and contracts for individual consultants costing less than US\$50,000 equivalent; (d) contracts for training; (e) all small grant contracts; and (f) all incremental operating costs.

### **Special account:**

**Special Account (SA):** During project preparation, the Government opened a Special Account in a commercial bank acceptable to the Bank, and a Transit account in a local commercial bank rated as Camel 1 or Camel 2 by the National Bank of Georgia. These accounts were managed by the PPU. These arrangements were assessed by the Bank to have been satisfactory and therefore they will remain in place during project implementation, with the additional requirement that the total amount held in the transit accounts is to be limited to the equivalent of US\$ 5,000. The SA and transit accounts will be audited annually and the results made available to the Bank. The authorized allocation of the SA amounts to US\$500,000 equivalent. Upon effectiveness, the Bank will provide for an advance of US\$250,000 representing 50% of the authorized allocation. When the total funds withdrawn from the Grant Account amount to US\$2.0 million, the beneficiaries may withdraw the remaining balance amounting to US\$250,000 equivalent. Replenishment applications should be submitted not later than every three months. These applications would be fully documented, except in the case where disbursements on the

basis of Statements of Expenditure (SOEs) or Project Management Reports (PMRs) are permitted, and would be supported by a reconciliation statement and bank statements.

### Financial Management

*Financial Management Assessment:* Responsibility for financial management of the project will rest with the PIU. A financial management specialist has been employed by the PIU since the beginning project preparation (summer 1999). An additional accountant will be recruited as required during project implementation. The Bank conducted a financial management assessment of the PIU and confirmed that the PIU satisfies the Bank's/IDA's minimum financial management requirements. However, the PIU does not have in place an adequate project financial management system that can provide, with reasonable assurance, accurate and timely information on the status of the project (PMRs) as required by the Bank/IDA for PMR-Based Disbursements. During project negotiations, the borrower will confirm if it wishes to consider a move to PMR-based disbursements and if so, agreement will be reached on an action plan to develop further the project's financial management arrangements during the course of project implementation.

*Financial Management Capacity:* The Bank conducted a Country Portfolio Financial Management Review (CPFMR) of all projects currently under supervision in Georgia and concluded that project financial management capacity is being progressively developed, inter alia, as a result of reforms in accounting and auditing and the creation of an independent accounting profession in Georgia. However, systematic capacity building in project financial management is needed if the Georgia portfolio of Bank-financed projects is to be implemented successfully. The main risks of the project's financial management arrangements are as follows:

(i) Capacity of staff in the PPU. The CPFMR concluded that given the high demand for skilled financial professionals in Georgia, most of the newly-created PIUs reported difficulties in recruitment of skilled accountants, and in particular, accountants. The PPU, which would become the PIU when the project becomes effective, currently employs a full-time experienced financial management specialist whose responsibilities include maintaining accounts for the project preparation grant, project accounting, internal controls and financial reporting. The Bank assessed these arrangements to be satisfactory, however, an additional accountant will be recruited to the PIU if required during project implementation.

(ii) Financial management systems. In respect of existing Bank projects' financial management systems, the CPFMR noted: generally, PIUs do not pay enough attention to basic internal control procedures; although most of the PIUs have operational manuals, during project implementation, these manuals are usually not much in use; and most of the accounting software packages used in Georgia are not supported by adequate access to technical support and information technology (IT) hotlines. To mitigate these risks for this project: the Bank reviewed the detailed design of the project's financial management systems, including its system of internal controls, and confirmed that these were documented in an operational manual; during project supervision, the Bank will, as recommended by the CPFMR, periodically review the operational manual to ensure that it is being adhered to and is up-to-date; and a locally supported software was selected, tested and implemented by the PPU.

(iii) Banking Arrangements / Special Account (SA). The banking sector in Georgia is relatively weak. During project preparation, the Government opened a Special Account in a commercial bank acceptable to the Bank, and a Transit account in a local commercial bank rated as Camel 1

or Camel 2 by the National Bank of Georgia. These arrangements were assessed by the Bank to have been satisfactory and therefore they will remain in place during project implementation. The CPFMR noted some financial irregularities in the management of existing Bank projects' transit accounts and thus it has been agreed for this project that the total amount held in the transit account will be limited to the equivalent of US\$ 5,000 and also, as recommended by the CPFMR, Bank project supervision will include periodic reviews of the transit account and its management in addition to reviews of the Special Account and other project accounts. The SA and transit accounts will be audited annually and the results made available to the Bank.

(iv) Auditing arrangements. The findings of the CPFMR conclude that project auditing arrangements for most projects in the Georgia portfolio are satisfactory. The CPFMR also clarifies that, despite progress made in terms of size of membership and professional development, the Georgia Federation of Professional Accountants and Auditors is not yet a member of the International Federation of Accountants (IFAC) and therefore the local audit firms certified by the Audit Council of the Parliament of Georgia are not yet eligible to carry out audits of Bank-financed projects. Membership of a professional accounting organization which is itself a member of IFAC is a pre-requisite for any audit firm to be considered acceptable to the Bank. However, the recent accounting and audit reforms have created an enabling environment for creating associations between international audit firms acceptable to the Bank and local audit firms. Thus the Bank will provide its no-objection to the auditor selected by the PIU prior to its appointment.

*Project Management Reports (PMRs):* Project management-oriented PMRs will be used for project monitoring and supervision. The formats of the PMRs (Cash Model) are included within the draft Operational Manual and will be confirmed during Negotiations. The PIU will produce a full set of PMRs for every calendar quarter throughout the life of the project beginning with the period ending 18 months after project effectiveness date. However, the PMRs showing the project's sources and uses of funds by disbursement category (PMR 1A), uses of funds by project activity (PMR 1B) and the project's Special Account Statement (PMR 1E) will be produced from project effectiveness and the four procurement management reports (PMRs 3A, 3B, 3C and 3D) will be produced within six months of project effectiveness.

*Audit Arrangements:* External audits by independent private auditors acceptable to the Bank and on terms of reference acceptable to the Bank will be procured by the PIU through Least-Cost Selection and the selection of the project's auditors is condition of Board presentation. Annual audited financial statements of the project will be provided to the Bank within 6 months after the end of each fiscal year and also at the closing of the project. The contract for the audit will be extended from year-to-year with the same auditor, subject to satisfactory performance. The cost of the audit will be financed from the proceeds of the GEF Grant as an incremental operating cost.

Item Assessed	Assessment				Major Weaknesses	Risk Assessment			Actions Proposed	Proposed Completion Date
	N U L L	P O L L	F O A I R	Satis- factory		L O W	A V E.	H I G H		
(a) Legal Aspects										
(i) Laws & Regulations		X					X			

(ii) NCB Procedures			X				X		
(iii) Internal codes and manuals		X					X		
<b>(b) Proc. Cycle Mgmt.</b>								Training to be arranged.	First six month of implementation.
(i) General handling			X				X	Training Workshop	Project launch
(ii) Procurement planning			X				X		
(iii) Preparation of documents			X				X		
(iv) Management of process			X				X		
(v) Bid evaluation			X				X		
(vi) Contract award			X				X		
(vii) Preparation and signing of contracts			X				X		
(viii) Contract management			X				X		
<b>(c) Organization and Functions</b>									
(i) Organization of unit and functions			X				X		
(ii) Internal manuals and instructions		X					X	PIP is being prepared	Ready by effectiveness
<b>(d) Support and Control Systems</b>									
(i) Auditing			X				X		
(ii) Legal assistance		X					X	Provide legal assistance when required	Through the project
(iii) Technical and administrative controls			X				X		
(iv) Code of ethics			X				X		
(v) Anticorruption initiatives		X					X	Provide awareness of WB rules	Project launch
<b>(e) Record keeping</b>								Further Training	Project Launch
(i) Public notices			X				X		
(ii) Bidding documents			X						
(iii) Bid opening information			X				X		
(iv) Bid evaluation reports		X					X		
(v) Formal appeals and outcomes	X						X		
(vi) Signed contract documents			X				X		
(vii) Claims and dispute resolution records	X						X		
(viii) Comprehensive disbursement data			X				X	Further Training	Project Launch



<b>(f) Staffing</b>			X			X			
<b>(g) General Procurement Environment</b>									
(i) Promoting a culture of accountability			X			X	Training		Continuos through implementation
(ii) Reputation of procurement corps			X			X			
(iii) Salary structure				X		X			
(iv) Freedom from political interference			X				X		
(v) Existence of experienced and capable staff			X			X			
(vi) Clear written standards and delegation of authority			X			X			
(vii) Sound budget/financial systems			X			X			
<b>(h) Private Sector Assessment</b>									
(i) General efficiency and predictability			X			X			
(ii) Transparency			X				X		
(iii) Quality of contract mgmt.			X				X		
(iv) General reputation			X			X			

<b>Prior Review Thresholds Proposed</b>	<b>Overall Risk Assessment</b>
Goods All ICB; First two IS and NS contracts	High: X
Works All ICB; First two NCB and MW contracts	Average:
Consulting; All QCBS contracts subject to prior review. Prior review threshold for consulting services for contracts over \$100,000 for firms. Prior review on the first 2 individual contracts, regardless of contract amount, and subsequently, review of all TOR for international consultant contract valued over \$50,000 and national consultant contracts over \$20,000.	Low:
<b>Post Review Ratio:</b> One in <u>10</u> contracts	
<b>Frequency of procurement supervision missions proposed:</b> One every <u>12</u> months (includes special procurement supervision for post-review/audits). The supervision mission should include a procurement specialist during the first two years of the work.	<b>Form prepared by:</b> <u>Gurdev Singh</u> (Procurement Specialist/Accredited staff assigned to the project)
	Signature: _____  Date: _____

Comments:

The Law on State Procurement (LSP), developed with the World Bank's assistance is used. The PIU and other agencies in Georgia use the Bank's SBDs also for the Georgia-financed contracts. The PIU, the agency for implementing the Project is well staffed, well equipped, and has gained some experience in Bank procurement procedures and practices under the PPU activities. Additional training of the Procurement Specialist is required before effectiveness.

The Procurement plan should be revised in compliance with the thresholds recommended in the assessment and approved by the RPA.

**Annex 7: Project Processing Schedule**  
**GEORGIA: Protected Areas Development Project**

<b>Project Schedule</b>	<b>Planned</b>	<b>Actual</b>
<b>Time taken to prepare the project (months)</b>	24	36
<b>First Bank mission (identification)</b>	06/01/97	06/01/97
<b>Appraisal mission departure</b>	06/30/2000	06/28/2000
<b>Negotiations</b>	10/30/2000	
<b>Planned Date of Effectiveness</b>	01/01/2001	

**Prepared by:**

Georgia Protected Areas Development Center; Georgian Opinion Research Business International (GORBI); Noah's Ark for the Reconstruction of Endangered Species (NACRES); U.S. National Park Service

**Preparation assistance:**

GEF Project Preparation Grant of US\$350,000

USAID Preparation Grant (for U.S. National Park Service) of US\$150,000

**Bank staff who worked on the project included:**

<b>Name</b>	<b>Speciality</b>
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Marjory-Anne Bromhead	Sr. Natural Resources Management Specialist, Quality Assurance
Charis Wuerffel	Operations Analyst
Kerstin Canby	Environmental Specialist
Darejan Kapanadze	Projects Officer
Tijen Arin	Natural Resource Economist
Anthony Whitten	Biodiversity Specialist; Peer Reviewer
Andrey Kushlin	Forestry Specialist
Jose Martinez	Procurement Specialist
Gurdev Singh	Procurement Specialist
Anna Staszewicz	Financial Management Officer
Ranjan Ganguli	Financial Management Specialist
Karin Shepardson	Program Team Leader; ECA GEF Coordinator
Elly Gudmundsdottir	Legal Specialist
Janis Bernstein	Social Scientist
Tjaart Schillhorn	Sr. Livestock Specialist
Andrew Bond	Biodiversity Specialist

**Annex 8: Documents in the Project File\***  
**GEORGIA: Protected Areas Development Project**

**A. Project Implementation Plan**

The PIP includes the following annexes:

1. Terms of Reference for PIU staff
2. Detailed cost tables
3. Environmental Assessment and Management Plan
4. Procurement Capacity Assessment
5. Procurement Plan
6. Implementation Schedule

**B. Bank Staff Assessments**

1. Tourism Assessment and Work Plan for Inbound Nature/Culture Tourism to the Republic of Georgia, March 2000\*
2. Social Assessment, GORBI, May 2000\*
3. Contingent Valuation Study Among Georgian City Dwellers: Attitudes, Preferences and Willingness to Pay for Biodiversity Conservation; Arin, Manon Circ, Tecslult Inc., GORBI, February 2000\*
4. Financial Management Assessment\*

**C. Other**

1. Georgian National Biodiversity Strategy and Action Plan, June 2000\*
2. National Environmental Action Plan (including Forest Sector Strategy), 2000
3. UNDP project proposal - "Arid and Semi-Arid Eco-system Conservation in the Caucasus," Feb 2000\*
4. "Institutional Profile and Development Needs," US National Park Service, November 1999\*
5. Draft Management Plans for Protected Areas (Lagodecki, Tusheti, Vashlovani)

\*Including electronic files

**Annex 9: Statement of Loans and Credits**  
**GEORGIA: Protected Areas Development Project**  
31-Jul-1999

Project ID	FY	Purpose	Original Amount in US\$ Millions				Cancel.	Undisb.	Difference between expected and actual disbursements <sup>a</sup>	
			IBRD	IDA	SF	GEF			Orig	Frm Rev'd
P065715	2000	AGR. RES. EXTENSION & TRAINING (PE)	0.00	7.60			0.00	7.34	0.00	0.00
P008415	1997	AGRICULTURE DEVELOP.	0.00	15.00			0.00	4.15	-1.75	0.00
P055573	1998	CULTURAL HERITAGE	0.00	4.49			0.00	3.08	1.58	0.00
P064094	1999	ENERGY SECAC	0.00	25.00			0.00	12.04	12.79	0.00
P008416	1999	ENTERPRISE REHABIL.	0.00	15.00			0.00	12.38	3.95	0.00
P008414	1996	HEALTH	0.00	14.00			0.00	7.07	7.93	0.00
P050911	1999	INTEG. COASTAL MGT	0.00	4.40			0.00	3.92	0.66	0.00
P057813	1999	JUDICIAL REFORM	0.00	13.40			0.00	12.35	-0.85	0.00
P050910	1998	MUNICIPAL DEV.	0.00	20.90			0.00	16.16	11.49	0.00
P008417	1995	MUNICIPAL INFRA. REH	0.00	18.00			0.00	0.43	2.05	0.00
P035784	1997	POWER REHAB.	0.00	52.30			0.00	2.22	2.70	0.00
P040556	2000	ROADS	0.00	40.00			0.00	39.74	0.00	0.00
P052153	1999	SAC III	0.00	60.00			0.00	39.67	61.10	0.00
P039929	1998	SOCIAL INVEST. FUND	0.00	20.00			0.00	12.46	6.67	0.00
P052154	1999	STRUCT. REF. SUPPORT	0.00	16.50			0.00	14.45	1.21	0.00
P056514	1999	TRNSPT MIN RESTRUCT.	0.00	2.30			0.00	2.20	2.05	0.00
<b>Total:</b>			0.00	328.89			0.00	189.66	111.58	0.00

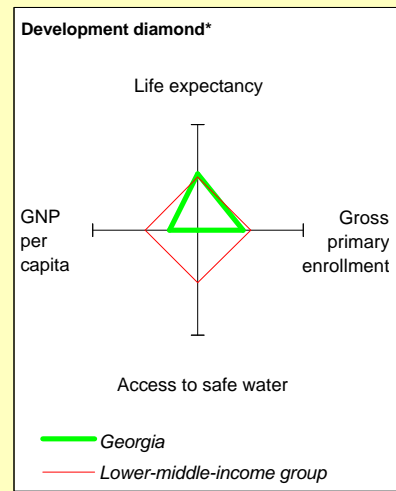
**GEORGIA**  
**STATEMENT OF IFC's**  
**Held and Disbursed Portfolio**  
**31-Jul-1999**  
**In Millions US Dollars**

FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1997/00	Georgia G&MW Co.	0.00	0.18	0.00	0.00	0.00	0.18	0.00	0.00
1999	Georgia M-F Bank	0.00	0.48	0.00	0.00	0.00	0.48	0.00	0.00
1998	Ksani	6.32	2.50	0.00	0.00	0.00	2.50	0.00	0.00
1998	TBC Bank	2.79	0.00	0.00	0.00	1.61	0.00	0.00	0.00
1999	TbilComBank	3.00	0.00	0.00	0.00	0.83	0.00	0.00	0.00
2000	Telasi	30.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1999	ninotsminda	0.00	0.00	6.00	0.00	0.00	0.00	0.00	0.00
	<b>Total Portfolio:</b>	<b>42.11</b>	<b>3.16</b>	<b>6.00</b>	<b>0.00</b>	<b>2.44</b>	<b>3.16</b>	<b>0.00</b>	<b>0.00</b>

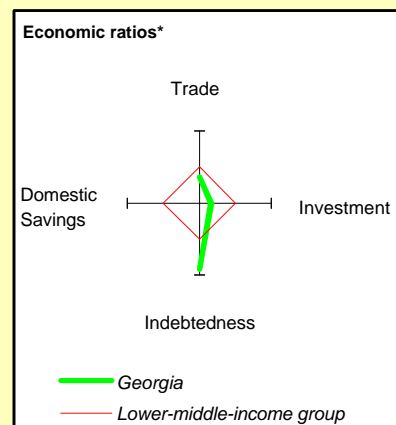
FY Approval	Company	Approvals Pending Commitment			
		Loan	Equity	Quasi	Partic
2000	BOG Credit Line	3000.00	0.00	0.00	0.00
1997	GGMW	0.00	0.00	0.00	0.00
1998	TBC Bank	0.00	0.00	1000.00	0.00
	<b>Total Pending Commitment:</b>	<b>3000.00</b>	<b>0.00</b>	<b>1000.00</b>	<b>0.00</b>

**Annex 10: Country at a Glance**  
**GEORGIA: Protected Areas Development Project**

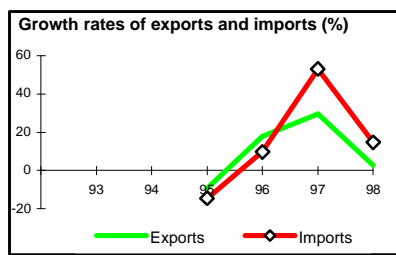
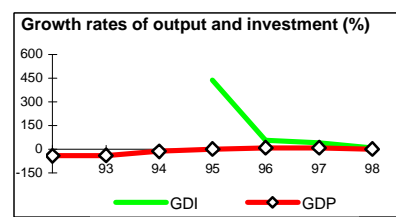
	Georgia	Europe & Central Asia	Lower-middle-income
<b>POVERTY and SOCIAL</b>			
<b>1998</b>			
Population, mid-year (millions)	5.4	473	908
GNP per capita (Atlas method, US\$)	930	2,190	1,710
GNP (Atlas method, US\$ billions)	5.1	1,039	1,557
<b>Average annual growth, 1992-98</b>			
Population (%)	-0.1	0.1	1.1
Labor force (%)	-0.1	0.6	1.5
<b>Most recent estimate (latest year available, 1992-98)</b>			
Poverty (% of population below national poverty line)	11	..	..
Urban population (% of total population)	60	68	58
Life expectancy at birth (years)	73	69	68
Infant mortality (per 1,000 live births)	17	23	38
Child malnutrition (% of children under 5)	..	..	..
Access to safe water (% of population)	..	..	75
Illiteracy (% of population age 15+)	..	4	14
Gross primary enrollment (% of school-age population)	88	100	103
Male	89	101	105
Female	88	99	100



	1977	1987	1997	1998
<b>KEY ECONOMIC RATIOS and LONG-TERM TRENDS</b>				
GDP (US\$ billions)	..	..	5.2	5.1
Gross domestic investment/GDP	..	28.6	7.2	7.8
Exports of goods and services/GDP	..	41.6	12.6	13.8
Gross domestic savings/GDP	..	29.7	-6.3	-6.4
Gross national savings/GDP	..	..	1.5	1.6
Current account balance/GDP	..	..	-7.2	-7.9
Interest payments/GDP	..	..	0.4	0.2
Total debt/GDP	..	..	29.4	32.8
Total debt service/exports	..	..	5.4	19.0
Present value of debt/GDP	..	..	..	..
Present value of debt/exports	..	..	..	..
	<b>1977-87</b>	<b>1988-98</b>	<b>1997</b>	<b>1998</b>
<i>(average annual growth)</i>				
GDP	3.5	-15.4	11.0	2.9
GNP per capita	2.7	-14.3	16.7	2.7
Exports of goods and services	..	..	29.6	2.9



	1977	1987	1997	1998
<b>STRUCTURE of the ECONOMY</b>				
<i>(% of GDP)</i>				
Agriculture	..	24.2	29.2	26.0
Industry	..	38.0	15.8	15.8
Manufacturing	..	28.0	15.9	15.6
Services	..	37.8	55.0	58.2
Private consumption	..	56.9	97.2	97.5
General government consumption	..	13.4	9.1	8.9
Imports of goods and services	..	40.4	26.1	28.0
	<b>1977-87</b>	<b>1988-98</b>	<b>1997</b>	<b>1998</b>
<i>(average annual growth)</i>				
Agriculture	..	..	3.0	-8.0
Industry	..	..	16.0	3.0
Manufacturing	..	..	5.0	1.0
Services	..	..	9.9	9.5
Private consumption	..	..	24.6	10.0
General government consumption	..	..	19.3	7.2
Gross domestic investment	..	..	41.4	10.3
Imports of goods and services	..	..	52.9	14.7
Gross national product	3.5	-14.4	16.0	2.7



Note: 1998 data are preliminary estimates.

\* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.



## **Additional Annex 11**

### **Social Assessment and Stakeholder Participation Plan**

1. The Government of Georgia (GoG) is developing a long-term program aimed at developing a tourism sector in the country. An important component of this program is the expansion, management and protection of Georgia's nature reserves and protected areas which would be implemented under the Project with assistance from the Global Environment Facility and the World Bank. It is envisaged that these protected areas will serve as tourism destinations for both foreign and Georgian travelers, building on the overall tourism potential of the country, and will raise the awareness of both the country's population and international visitors about Georgia's unique natural history and the diversity of its ecosystems. In addition, the establishment of new protected areas, together with the expansion of existing ones will serve to protect the natural resources of Georgia -- soil, flora and fauna. Ultimately, the GoG views the Protected Areas Development Project, the establishment of national parks and the development of an ecotourism industry as cohesive components in an effort to simultaneously improve the country's economy and boost the country's ability to protect, preserve and sustainably utilize its natural resources.

2. Based on international experience that ecological and conservation-based initiatives cannot achieve long-term success without obtaining participation and building social sustainability on a local-level, an assessment was undertaken to better understand the social issues relating to the project objectives. This Social Assessment sets out to (i) identify important actors having a stake in Georgia's biodiversity and understand their specific interest; (ii) clarify relationships among different stakeholders and Project activities; (iii) assess the consequences of stakeholder interests and relationship on biodiversity conservation; (iv) identify stakeholders' ability to participate in the initiatives and methods to support or enable this participation; and (v) recommend changes to the Project to re-direct activities its and the attention of various stakeholders to promote environmentally and socially sustainable practices. The assessment focused on communities around the three proposed project sites in the Akhmeta, Lagodekhi and Dedoplistskaro districts. The assessment was based on household surveys, in-depth interviews, focus groups and official data from the State Department of Statistics.

#### **Characteristics of the Region**

3. *Socio-economic Background:* The estimated population of the Kakheti region - the region where the three project sites are located - is 464,000 people. Within this region, there are about 44,000 in the Akhmeta district (where Tusheti is located), 34,900 in Dedoplistskharo (Vashlovani) and 53,600 in the Logodekhi district. Population numbers have not shown any tendency to increase in recent years. The majority of the region's population is of Georgian nationality, but there are small numbers of Russians, Ossetians, Armenians and Azeris living there.

4. The social assessment found that the top problems cited by local respondents were (i) unemployment (54% of the surveyed household members over 16 do not have full time jobs, 29% of these unemployed and 19% pensioners), (ii) lack of money, (iii) poor drinking water, and (iv) poor road and telecommunication infrastructure. While the population is relatively well educated, the region is characterized as "cash-starved and barter-based". Salaries tend to be lower than the national average (24.2 to 28.4 laris per month), but are supplemented with 72.4 laris worth of goods and services obtained through bartering. Most households have a high reliance on home-grown foods, of which 46% is grown on privately owned land).

5. *Agriculture and Natural Resources:* The populations of Dedoplistskharo, Lagodekhi and Tusheti also depend on natural resources from both private and state lands in the project region, including forests for energy (fuelwood for cooking and heating), surface waters for irrigation, farmlands for crops, and pastures for grazing. Crops are grown for household consumption as well as for profit. Cereal grains, wine and sunflowers are traditional profit crops, and lately larger wine making companies have emerged. Livestock herding has a long tradition in Kakheti, specifically sheep breeding and seasonal herd migrations from Tusheti to Vashlovani - although this tradition is waning as prices for sheep have declined and cattle are replacing sheep. Trends in land ownership is currently mixed between state and private. In Akmeta and Dedoplistskharo, more shepherds use state lands for grazing than in Lagodekhi.

### **Attitudes of Local Population Toward Project Activities and Natural Resources**

6. *Perception of Natural Resource Degradation:* The Social Assessment found that the majority of households are aware of both the degradation of forest and wildlife resources and of forest felling and hunting regulations - the populations of all three areas tend not to associate the poor conditions with their own communities' actions (e.g. wood exports more than local unmanaged harvesting is responsible for forest degradation; wealthy hunters from cities were responsible for declining wildlife numbers rather than poaching).

7. *Perception Toward the Project:* The social assessment found that the populations living in Tusheti, Vashlovani and Lagodekhi are respectful generally support of their region's protected areas and support the project's objective of expanding these, improving their management, and promoting tourism. Local populations believe they will benefit from an increase in the quality of natural resources due to improved management and also from employment to service tourists. In fact, the local populations may be over-enthusiastic and the project may have to curb expectations of dramatically improved resources and high influxes of tourism within a the short-term. Women in particular were enthusiastic, due to (i) their greater interest in the cultural and historical significance of their local landscapes and resources and (ii) the expectation that they will be the primary beneficial of the tourism industry (culinary skills, folk hotels and crafts). The local population of Azeris in the Lagodekhi village of Kabali, however, reported little interest in participating in the Project's initiatives and reported no special concern for the state of the region's natural resources.

### **Implications for Project Design**

8. The main project stakeholders, issues of particular concern to them, and mechanisms to best ensure their participation in both the project's activities are summarized in Table 1. In addition, the following findings and recommendations which were incorporated into the project design:

(i) *Access to fuelwood and pasture resources:* Due to the difficulties that local communities (especially in Lagodekhi and Vashlovani) face in obtaining energy, the protected area administrations should not restrict access to fuelwood resources within the protected zones without assisting the local populations in finding alternative sustainable sources. In addition, the protected area administrations will work with local shepherds and local administrations to ensure that leases for pastureland on lands within the zoned protected area will not be altered until and unless leases for equal or better pastureland elsewhere have been allocated.

(ii) *Extension services for natural resources management:* In order to improve the socio-economic conditions of local communities, the local protected area administrations will, with the assistance of the

project, provide extension services for fuelwood access, sustainable pastureland management, veterinary services, and small-scale tourism and eco-marketing opportunities. This will necessitate be facilitated with project-financed technical assistance, including the establishment and operation of community-based user groups.

In addition, the Dedoplistskharo population was interested in learning about afforestation and improved soil and water management practices, which is in keeping with both the importance of agriculture in the district, as well as its pronounced water problems.

(iii) *Community / user groups:* There is a desire among the local communities to form community or user group associations to build their capacity to benefit from the project and ensure that their concerns and experience are adequately taken into account. The specific associations raised during the assessment include:

- **Community Crafts Association.** The Tusheti communities requested assistance in forming one or more official associations, such as a carpet weavers association, or historical conservation association, which would benefit from assistance under the project (marketing know-how, etc).
- **Shepherd's Association.** The Georgian shepherds are supportive of the project's goal of improving the use of pastures and other natural resources. They suggested that the project help them to organize a Shepherd's Association which would serve as a beneficiary of the project's pasture management activities, help to share their knowledge of pasture management and to reinstate traditional methods of pasture protection (such as rotation and zoning systems), and as a "watchdog" to ensure that the interests of the shepherds are adequately represented during project implementation.

(iv) *Women in development:* While women do tend to express more optimism about the future, and greater interest in the cultural and historical significance of their local landscapes and resources, many women are also very interested in legal, marketing and regulatory issues regarding natural resources and tourism. In this regard, emphasizing the local, cultural importance of resources will be the best way to involve women, but care should be taken to also ensure that they have access to more technical information. This is especially important in regards to entrepreneurship: women, particularly in Akhmeta, are interested in starting their own natural resource-related businesses. In order to succeed, they will need information about laws, regulations, credit options, tax codes, etc. In order to ensure their views on project activities and local natural resource management are adequately taken into account, women will be included in the local advisory groups for each National Park (which will also most likely serve as the allocation committee to the small grants program).

(v) *Public Awareness campaign:* The social assessment found that knowledge and understanding of the project components is generally weak, and that many believe that the main point of the project is to restore pastures, forests and other aspects of nature so that the population can use them again more intensively. The project will need to work with the local communities to not only make them more aware of the short and long-term impacts of sustainable management regimes and protected area zoning. The project will also need provide a more realistic assessment of the opportunities and benefits of the project (e.g. realistic numbers of tourists) while at the same time, through the extension services, provide information on how to attract tourists (e.g. types of facilities) and market goods and services (crafts, folk hotels, restaurants). In addition, an environmental education / public awareness campaign will make the local population more aware of the underlying causes for natural resources degradation, the true costs of degradation and positive actions they can take to alleviate the damage.

(vi) *Long-term participation of the Azeri shepherds:* The heavy use of the pastures around Lagodekhi by this group necessitates the involvement of the Azeris -- a close-knit Muslim community -- from the Kabali area, even though they apparently have little interest in the initiatives. While primarily concerned with economic and employment issues, they are not enthusiastic about involving women in any possible cultural crafts and culinary services. Georgian foresters believe that Azeris do not possess a sense of ownership in the land and therefore have no stake in preserving pastures for future generations' use. The project will explore the possible recruitment of an Azeri staff person at the Lagodekhi project site to help to integrate Azeri participation in natural resources management in the district and will make every attempt to ensure there are no language barriers.

(vii) *Conflict Resolution and Trust Development:* The social assessment highlighted that conflicts over natural resources use and harvesting could arise between stakeholders and the protected area administrations, particularly during times of hardship. While open communication and cooperation with local populations will improve the situation, the Government of Georgia and protected area administrations will have to ensure that it follows through on promises and policies, and that it is capable of incorporating positive changes in local communities' daily lives throughout the project and after.

A five-member local advisory committee will be established at each of the protected area sites, composed of a diverse stakeholder set, including representatives of local resource user groups, district and village government, local communities, ethnic groups and NGOs. These committees will advise the DPA on project and park-related activities, and ensure that local stakeholder opinions and concerns are voiced.

**Table 1. Summary Table of Stakeholders, Issues and Mechanisms for Participation**

Stakeholder	Issue	Mechanism to ensure participation
<p><b>Central Government:</b> Ministry of Environment, Department of Protected Areas, Department of Forestry</p>	<p>These stakeholders show strong interest in the success of the Project. Government believes that the country's ecotourism potential holds real opportunities for the country and that by tying ecological protection to commercial and economic development, the GoG will be able to address a number of the country's most pressing problems in a sustainable, long-term way.</p> <p>The GoG, however, has yet to establish a clear strategy for the sustainable development of its land and resources. There is the potential for conflict between various departments which may hold varying opinions on the appropriate management regimes for natural resources (e.g. extent of protection, commercial use and export). In other instances, internal departmental policy will be conflicting. The establishment of a definite policy on the protection and development of resources, combined with a clear delineation of departmental roles, on the part of the GoG will undoubtedly ease and in some cases eliminate any such conflicts.</p>	<ul style="list-style-type: none"> <li>• <i>Implementation:</i> The Ministry of Environment (MoE) will serve as the Executing Agency, the Department of Protected Areas (DPA) will serve as the Implementing Agency, and the Department of Forestry (DoF) will implement the activities within the Alazani and Alaverdi floodplain forests</li> <li>• <i>Governance:</i> The MoE, DPA and DoF, among will all serve on the Steering Committee of the project;</li> </ul>
<p><b>Local governments:</b> municipal actors</p>	<p>The local administrations have been active during the development of the project, and have been a driving force in ensuring that the legislative acts for establishing the new protected areas receive the necessary parliamentary hearings to become law.</p> <p>Because local governments and municipal departments are usually the ones charged with carrying out the GoG's policies, they tend to take the brunt of the blame among local communities when such policies fail.</p>	<ul style="list-style-type: none"> <li>• <i>Governance:</i> The local administrations will serve on the local advisory committees responsible for decision-making and small grant allocations.</li> </ul>

<p><b>International and regional / domestic NGOs</b></p>	<p>International and domestic NGOs have the ability to offer expertise needed in eastern Georgia, and it is expected that their involvement will increase during project implementation. Because mass media is in relatively poor supply in east Georgia, alternative information dissemination techniques will be needed, and NGOs can provide much help in preparing and distributing information. In addition, by their very nature, NGOs usually have experience in forming functioning groups and associations. In this regard, their help could be invaluable in helping local population members form associations such as shepherd’s associations.</p>	<ul style="list-style-type: none"> <li>• <i>Governance:</i> NGOs will serve on the national Steering Committee for the project.</li> <li>• <i>Implementation:</i> It is expected that NGOs can serve as partners, or will be contracted to implement specific components or activities under the project (following Bank procurement guidelines)</li> <li>• <i>Beneficiaries:</i> National NGOs can be recipients of joint training activities with the DPA as well as of the small grants program.</li> </ul>
<p><b>Local inhabitants:</b> commercial farmers, women, young people and the poorest households, sheep and cattle shepherds</p>	<p>Many families in the Project region rely on natural resources from both private and the state lands -- crops, fuelwood, water. They feel a pride in their natural surroundings, which fosters their sense of ownership of the local nature that has in turn played a large role in creating and fostering their communities and cultural identities.</p> <p>However, the local communities are often not aware of the impacts of their activities on natural resources, or are forced into an unsustainable situation due to economic hardship.</p>	<ul style="list-style-type: none"> <li>• <i>Governance:</i> Representatives of local communities will serve on the local advisory committees. Continuous public consultations will ensure they provide input to all aspects of protected area management.</li> <li>• <i>Implementation:</i> Local communities will be actively involved in key aspects of implementation, such as the restoration of lands, community forest management either through voluntary participation in user groups, or labor contracts</li> <li>• <i>Beneficiaries:</i> Local communities will benefit from land rehabilitation; technical assistance (extension services) for resource, tourism and marketing development; and can be receive of small grants.</li> </ul>

<p><b>Women</b></p>	<p>While women do tend to express more optimism about the future, and greater interest in the cultural and historical significance of their local landscapes and resources, many women are also very interested in legal, marketing and regulatory issues regarding natural resources and tourism. Women in the region tend to be especially concerned about the conditions of nature in their districts.</p> <p>Women would benefit not only from the increase in service-related employment, but also in the ability to preserve their traditional arts, such as carpet weaving and culinary knowledge. The Tushis are especially proud of their local wool (high quality and dyed from local plants) and their rugs and weavings incorporate traditional local designs. Women in Akhmeta and Lagodekhi frequently cited wanting to start commercial nurseries to grow and preserve herbs and plants of local significance.</p>	<ul style="list-style-type: none"> <li>• <i>Governance:</i> Women will be represented on the local advisory committees</li> <li>• <i>Beneficiaries:</i> Women are expected to be the beneficiaries in particular of the small grants program and training in marketing for tourism and local crafts development.</li> </ul>
<p><b>Shepherds and cattle shepherds</b></p>	<p>Georgian shepherds from all 3 districts tend to be very concerned about the conditions of pastures and natural resources. All almost unanimously support the protection of natural resources, even to the extent of suggesting access to pastures be restricted.</p> <p>It is expected that Georgian shepherds will be relatively easy to involve in the initiative because its members have a pronounced interest in the issues, want to receive more information and are interested in participating on a number of levels. Their experience will serve as invaluable input about pasture and natural resource conditions and borders for zones of natural resources management.</p>	<ul style="list-style-type: none"> <li>• <i>Governance:</i> Shepherds will be represented on local advisory committees.</li> <li>• <i>Implementation:</i> The project will ensure that shepherds participate in early planning and decision-making stages of initiatives to protect pastures – helping to ensure participation among this stakeholder group in later stages of project implementation</li> <li>• <i>Beneficiaries:</i> Shepherds will benefit from pastureland restoration, technical assistance for improved management structures, veterinary extension work, and the small grants program.</li> </ul>

<p><b>Azeri shepherds</b></p>	<p>The Social Assessment highlighted the difference in interests and concerns between the Georgian and Azeri shepherds in Lagodekhi. The primary area for conflict with Azeri shepherds will be with those charged with the protection and management of Kakheti's pastures and natural resources. Currently, the Azeri shepherds do not support increased protection of pastures.</p>	<ul style="list-style-type: none"> <li>• <i>Governance and Implementation:</i> Representatives of the Azeri community will be invited to serve on the local advisory committee. Due to their current low interest, special effort may need to be made to raise their awareness of the benefits of their participation</li> <li>• <i>Beneficiaries:</i> Like the other citizens of the local communities, the Azeris will have every opportunity to benefit from pastureland restoration, technical assistance, veterinary services and the small grants program. The project will try to stimulate their interest by holding meetings in their community in their language, translate documents and make every effort to engage them.</li> </ul>
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