

# Georgia's Transit Transport Infrastructure Development Environmental and Social Aspects

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## Introduction

The suitable geographic location of Georgia in central part of Caucasus, and increased economic cooperation trend between Europe and Central Asia countries, creates important factor to establish the West-East transport Corridor through Georgia. .

In 1990-2002, the international freight increased, first due to the increased trade of oil and oil products that has significant impact on region. Together with increased incomes the important problems as illegal migration, drug and weapon trade, spreading different epidemic, invasion of foreign allies, increased prostitution, vibration and dust brought by heavy tracks, appeared.

After Soviet Union break out, during 1990-2002, in general rehabilitation of the transit and transport infrastructure almost have not been carried out. While decision making in this field was made without existence of sustainable development strategy, sustainable transport policy, that would give possibility to decision-makers rationally plan functioning of Georgia main transport axis and ensure sustainable reallocation of incomes.

As a result, in 1990-2002, the implementation of Georgia's transport and transit function plays more negative, rather than positive role for Georgian population. E.g. after Soviet Union breaks up and Georgia-turkey trade relations intensified, the new Customs was opened close to city Vale. The E 691 highway, that connects Azerbaijan, Georgia and Turkey, passes directly through the city Vale. It characterized by significant freight traffic. The number of the houses located on city major transit streets has been fully demolished due to the vibration, while others represent threat for life, however, people are forced to continue to live there. The additional problem in city is increased prostitution especially among youth.

By 2003 the Georgian transit infrastructure were characterized with inadequate infrastructure, with high rate of amortization, low traffic capacity, low level of services and traffic safety, negligent management system and non adequate tariff policy. All of that plays significant role, in slowing economic development, support increase of poverty, slow investments in regions, and cargo traffic.

After Rose revolution one of the main priority of Georgian government, includes reconstruction/ rehabilitation of motorways, as well as modernization of other transport infrastructure. However, all attention was shifted towards economic profits; while necessity to integrate environmental and social issues, has been again successfully forget by decision –makers.

In addition, the projects and programs elaborated by Georgian Government and International community , may in nearest future bring irreversible impact to Georgian Nature, if there would not be elaborated and employed specific measures and instruments, that give possibility to mitigate and/or avoid negative impacts of infrastructural projects.

# 1. Georgia and EU Trans-European Transport Corridors

Since 1993, EU leads TRACECA program that aims to connect EU with central Asia, China and India through Black Sea, Georgia, Azerbaijan and Caspian Sea. TRACECA program was designed as technical assistance program that would give possibility to participant countries to carry out construction, reconstruction and modernization of railways, motorways, airport, and marine ports. Because of different projects the international trade through Georgia, first of all transit of oil and oil products from Central Asia to Europe has significantly increased.

## 1. Georgia's Transport/Transit Infrastructure

Railway – more than half of Georgia's railway income comes from oil and oil products transportation from Turkmenistan, Kazakhstan and Azerbaijan to Batumi and Poti ports. It is expected that freight turn over would increase from 8.6 million tones per year to 18.7 million tones to 2015.<sup>1</sup> Nowadays, Georgian railway exploitation line length constitutes 1329 km and includes 1422 bridges, 32 tunnels, 22 passenger transport station and 114 goods station.

Motorways – The Georgian motorways net consists from 1474 km of international road, 3392 national importance and 15429 km of local roads. The biggest majority of national and local roads are in very poor state.

Ports – Georgia has three major ports on the Black Sea coast – Batumi, Poti and Sokhumi. The Batumi and Poti ports are major ports, that along with transportation of huge amount of oil and oil products, also serve as one of the biggest turnover point for all three South Caucasus countries. In 1999, close to Poti, was constructed Supsa oil terminal, that is supplied with oil through Baku-Supsa oil pipeline, while another oil products terminal constructed in adjacent of Poti – Kulevi Oil terminal supposed to be become operation from 2008.

Air transport – Tbilisi International airport has been reconstructed twice. First in 1996, it was reconstructed with support of EBRD for 20 million USD loan. In 2006 through 27-27 million USD loans of EBRD and IFC, was financed rehabilitation of runways and construction new international cargo terminal. It is also planned to construct 35 mln USD worth new cargo terminal in Tbilisi airport<sup>2</sup>. In 2007, EBRD /IFC also allocate 15 million USD for reconstruction of Batumi airport. In addition, there were number of working airports as Kutaisi, Poti and Senaki.

Nowadays, EU continues to support development of East West Transport Corridor through Georgia. The number of the documents adopted within the European Neighbourhood policy framework<sup>3</sup>, as well as High level Transport Group (HLG) report, that should lay foundation for EU strategy on "extension of the major trans-European transport axes to the neighbouring countries and regions"<sup>4</sup> are clear proof of abovementioned.

list projects and priority axis of HLG report, makes apparent that Georgia represents important part of number of corridors: 1) the one of priority corridor – South-East Axis, that will connect EU through Balkans and Turkey with Caucasus and Caspian Sea regions, as well as with Egypt and Red Sea. In frame of this axis, HLG recommends Railway rehabilitation project from Poti and Batumi to Azerbaijani border. 2) Marine

1 <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/EXTECAREGTOPTRANSPORT/0,,contentMDK:20647622~pagePK:34004173~piPK:34003707~theSitePK:571121,00.html>

2 Britain's SPM and Tbilisi airport signed agreement on construction of a new cargo terminal in Tbilisi International Airport in March 2007. According to the document, the cargo terminal will be built within a year. see: <http://www.neurope.eu/articles/71735.php>; <http://www.aci.aero/aci/aci/file/ADN%20-%20Mombberger/ACI-ADN%20April07.pdf>

3 Documents include: 1) EU\_Georgia Action plan under ENP, 2006 2) Council Decision granting a community guarantee to the European Bank against losses under loans and guarantees for projects outside the community, Brussels, 2006, 3) Ministerial Declaration on Enhanced energy co-operation between the EU, the Littoral States of the Black and Caspian Seas and their neighboring countries, 30 November 2006, Astana and etc.

4 High Level Group on the "extension of the major trans-European transport axes to the neighboring countries and regions"

transport axis connects Baltic, Mediterranean, and Black Sea and with inland road connects with Caspian Sea. Within the transport corridor the projects of Batumi and Poti ports are proposed, 3) the central axis connects the centre of EU with Caucasus through Ukraine and Black Sea.

Consequently, Georgia-EU Action Plan, that has been signed in 2006, prioritize transport sector, in a way “to ensure effective cooperation in the areas of energy and transport between the EU and the states in the Black Sea and Caspian regions in the framework of the “Baku Initiative”<sup>5</sup>.

Georgia-EU Action Plan also requires to “continue implementation and refinement of the national sustainable transport policy for the development of all modes of transport and related infrastructure as well as where appropriate approximation of legislative and regulatory frameworks with European international standards, in particular for safety and security issues;” together with a need “to improve integration of environmental considerations into other policy sectors.”

Looking to ongoing transport infrastructure projects in Georgia, it is clear that Action plan recommendations well fit today's' reality and needs to be implemented as soon as possible.

According to some experts<sup>6</sup>, there is the ongoing work to elaborate and implement the sustainable transport policy. However, due to the existing legislation and policy approach, it is very doubtful that the elaborated policy will be sustainable. Nowadays, the environmental and social aspects are fully ignored and not integrated neither during elaboration of policy, as well as during planning and implementation of infrastructural projects.

## **2. Infrastructural policy environmental and social aspects**

The quality of the infrastructure in country is considered as one of the preconditions for economic development and growth. Itself infrastructure could be divided in two categories, as environmental infrastructure and economic development, service provider infrastructure.

Environmental infrastructure such as municipal water supply, sanitation, or solid waste management facilities delivers environmental and public health benefits directly to people and businesses. Policies that encourage investment in and maintenance of these types of infrastructure contribute directly to environmental welfare.

Other types of infrastructure designed to store or control water, such as hydroelectric dams, flood control structures, transportation canals, and dredged harbours can have very negative direct environmental effects such as destruction of fish and wildlife habitat, interference with migration patterns of fish and birds, and release of chemical contaminants into the water column. Policies that require environmental safeguards to be designed in to infrastructure projects of this nature can avoid or mitigate environmental losses while in parallel, delivering the same energy, and transportation.

Infrastructure also interacts with the environment by virtue of the services that physical structures deliver. The most common example is transportation infrastructure, where roads or airports, for example, can result in direct environmental damages from land clearing, runoff, noise, and emissions from cars and airplanes. Nevertheless, transportation infrastructure also delivers mobility services to people and businesses, enabling development to spread over wider areas, sometimes with the unintended effects of even greater land disturbance, noise, and emissions. Land use policies that govern growth patterns and best management practices to protect waterways from runoff contaminated with chemicals and metals, can be effective ways to protect the environment and deliver mobility.

Transport infrastructure is important for the urban mobility services it delivers, but effective transport development also can have the effect of reducing airborne emissions per capita by enabling urban, peri-urban, and ex-urban residents to avoid using their cars in favour of reduced-emissions surface or sub-surface light rail. Even diesel buses deliver significantly greater passenger-miles per ton of air emissions

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<sup>5</sup> The Baku Initiative is a policy dialogue on energy cooperation between the European Union and the littoral states of the Black Sea, Caspian Sea and their neighbors. The initiative was announced on 13 November 2004 at the Energy Ministerial Conference in Baku. Second Ministerial Conference was held in Astana on 30 November 2006.

<sup>6</sup> see [http://enp.ge/data/file\\_db/download/engversion\\_final\\_AV.WwkTBxK.pdf](http://enp.ge/data/file_db/download/engversion_final_AV.WwkTBxK.pdf)

than do cars. Effective vehicle inspection and maintenance policies or high-occupancy vehicle restrictions on certain motorways can further reduce air pollution without reducing mobility benefits.

The integration of environmental aspects in infrastructure policies could be done through number of the different ways, through adoption of environmental legislation, capacity building in environmental agencies, improved information and transparency, training both at the community level and within infrastructure agencies, and systematic use of strategic environmental assessments (SEAs) at the national and sectoral level. Through using of SEA, it is possible to address the wide range environmental issues and effectively reduce the negative impacts and/or increase environmental, as well as other type of benefits. During the SEA, process the infrastructure planning done through consultations with local public, consideration of both direct and induced impacts, and appropriate land uses in different environmental zones. These exercises at the end reduce negative social impacts and follow up environmental costs.

Unfortunately, the less attention has paid to integration of social goals in infrastructural policy. Most infrastructure policy during this period has focused on broad economic objectives, such as effective delivery of service flows that result in GDP growth or proper pricing of infrastructure services to assure efficient allocation of financial resources to infrastructure investments. While the distributional effects of infrastructure is almost ignored and as a result, increased efficiency may well have been delivered at the expense of jobs, the quality of employment, or access to infrastructure services.

The recent researches suggest more strongly that infrastructure privatization and market reforms have significantly reduced delivery of basic energy, transportation, health, and sanitation services to poor households and disadvantaged groups. The “broadening” of infrastructure policies supports to overcome the negative social impacts of infrastructure development. Specifically, economists suggest a re-examination of infrastructure pricing, public subsidies, regulatory design, and spatial access policies<sup>7</sup>.

### **3. The environmental impacts mitigation mechanisms during planning and implementation of infrastructural projects**

The implementation of the infrastructural projects, including transport/transit infrastructure development/rehabilitation in some extent has negative impacts on environment and society. In a way to mitigate the environmental and social impacts of the development projects, and particularly infrastructural projects, the countries have introduce number of different tools and procedures including Strategic Environmental Assessment and Environmental and Social Impact Assessment.

EU adopts relevant directives 90/313/EEC –on the freedom of access to information on the environment, 85/337/EEC amended 97/11/EC assessment of the environmental effects of those public and private projects which are likely to have significant effects on the environment, 2001/42/EC- on the assessment of the effects of certain plans and programmes on the environment – the ‘strategic environmental assessment Directive’. Through those instruments it is possible to reduce the social and environmental impacts to minimum.

It should be underlined Georgian Government adopted Harmonization Action Plan 2004-2006<sup>8</sup>, the National Program for Harmonization of the Georgian Legislation with the EU Law considers as priority to harmonize Georgian Legislation with above mentioned directives. Consequently, Georgia-EU Action Plan signed in 2006 underlines necessity to strength, structures and procedures „to carry out environmental impact assessments” and „strengthen administrative structures and procedures to ensure strategic planning of environment issues and co-ordination between relevant actors”. In addition, according to Action Plan it is essential to elaborate procedures and legislation that would improve access to environmental information and ensure public participation in environmental decision-making, including implementation of Aarhus Convention.

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7 Infrastructure Planning and Development: Environmental and Social Considerations of Sectoral Reform, [www.epiq2.com/pubs/infrastructure\\_brief.pdf](http://www.epiq2.com/pubs/infrastructure_brief.pdf)

8 <http://www.eu-integration.gov.ge/eng/legislarmonization.php>

However, the environmental and related legislation changes of 2005-2007 in principal confront the abovementioned EU directives, as well as Georgia EU Action Plan.

Another obstacle for reduction of environmental impacts during planning, implementation and exploitation of infrastructural is none-existence of sustainable development strategy. In addition, Government considers any assessment tools (especially those involving public participation in the decision-making) as an option for unnecessarily prolonging administrative procedures and therefore hindering investments in the country. All of those together with incomplete environmental legislation lay foundation to unsustainable development.

Nowadays, Georgian legislation requires construction and environmental impact permit for number of infrastructural projects, including international and national significance roads, railway, airport and marine ports development. However, according to the legislation changes 2005, leads to the situation that Public (state-owned) are Exempt from EIA. In addition, Ministry of Environment can exempt any project from EIA procedure, while law on State Support to Investments, makes possible for any person to start implementation of activity without conducting EIA and obtaining permit on condition that he/she will fulfil these obligations in the future. For that purpose physical of judicial body should request the special interests investor status<sup>9</sup>. It should be underlined that while law requires post-factum preparation of EIA, based on state requested, caring out EIA procedure later has no sense.

It should be underlined that Georgian Government prompt approach towards infrastructural projects, exemption from EIA procedures, and facilitation of issuance of permit documents directly undermines quality and safety of the projects, not to speak about environmental and social implications.

The one of the major problem related to infrastructural project development relates to miscategorisation of project environmental status. Nowadays, Georgian legislation recognizes only two categories of the project: the one that needs full Environmental Impact Assessment procedure, and another category that do not require any environmental impact assessment procedures at all. In general, it creates misunderstanding and creates additional problems. E.g. for rehabilitation of 1 km of road of international significance, project sponsor should undergo under the same procedures, as in case of the construction of new road (preparation of full Environmental Impact Assessment report, arrangement of public hearings and etc). Meanwhile, the numbers of activities like (gold & oil extraction) are fully exempted from EIA procedure.

In addition, even in cases when State and/or project sponsor do not tries to avoid EIA procedure, its implementation is just formality rather than real tool to reduce and mitigate environmental and social impacts. The one of the major problem is restricted public participation in decision-making process as the permit issuance body (ministry of Environment) is neither obliged nor entitled to ensure public participation in the decision-making on granting the permit for impact on the environment.

Instead the project sponsors are obliged to inform and consult public on the draft EIA report, i.e. before application to the ministry, while the ministry is also not obliged to inform public on the decisions on granting the permits.

The issuance of the environmental impact permit conducted under the simple administrative rules in 20 days term that means that all connected procedures as Ecological Expertise and issuance of environmental permit should be done within that timeframe.

The all above mentioned negatively impact the EIAs quality, as neither project sponsor nor state agency is interested to carry out full scale environmental impact procedures.

Despite the number of attempts to promote application of SEA in Georgia, still Georgian legislation does not define any similar mechanism or tool. As a result, planning of the infrastructural projects are chaotic, often based on private interests (including some officials), that creates big threat to Georgian environment, supports violation of Georgian and International Environmental laws that Georgia is party for<sup>10</sup>.

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9 According to the law to get status the investment amount should exceed 8 million GEL (around 4 mln. EUR), or 2 million GEL (1 mln Euro) for the investments in mountainous region.

10 In 2006 Ministry of Environmental Protection and Natural Resources (in partnership with the Netherlands Commission for Environmental Impact Assessment) implemented project on introduction of Strategic Environmental Assessment (SEA) in Georgia and established SEA task took further steps for its adoption as interest to this instrument has reduced.

## **4. The social impacts mitigation mechanisms during planning and implementation of Infrastructural Project**

The Social Impact Assessment according to the best international practice represents the part of the environmental impact assessment process. Georgian legislation do not regulates social impact assessment and mitigation of social impacts.

The number of International Financial Institutions and/or Transnational companies usually presenting integrated environmental and social impact assessments according to best practice. However, even in this cases it is unclear according to the law who should review the Social Impact Assessment plans, and do there is any responsible state agency to control its implementation.

In accordance of Georgian Constitution the right to property is recognized and guaranteed and “the abrogation of the universal right to property, of the right to acquire, alienate and inherit property shall be impermissible”. The Constitution allows deprivation of property for the purpose of the pressing social need”, only in cases as expressly determined by law, under a court decision or in the case of the urgent necessity determined by the Organic Law and only with appropriate compensation”(article 21). The only law that regulates compensation of material damage during the infrastructural projects, is the law on rule of expropriation of property for public purposes.

However, law envisage compensates only material damages with regard of registered property. The Georgian legislation do not recognize any rights of the people that have no formal legal title to land or other assets (like tenants, squatters, natural resource users, communities and vulnerable groups), despite the fact that it could be used by above mentioned groups traditionally. In addition, the Law do not require provision of relevant compensation in case of dismantled infrastructure or distorted services.

The legislation therefore does not request early notification and consultations to potentially affected people, as well as do not requests preparation of Resettlement Action Plan. The way of expropriation of property includes the Decree of President that appoints the expropriator (physical or judicial person), that should pay relevant compensation in accordance with court decision.

## **5. Transit Transport Infrastructure Case Studies in Georgia**

### ***5.1 Case Study: E 60 East-West Highway Rehabilitation/Enlargement Project***

The East-West Highway represents the part of East-West Corridor identified as priority direction by EU High Level Group on Transport. Nowadays, there is ongoing rehabilitation /enhancement (from two lanes to four lanes) of E 60 highway from Baku to Poti. The project implementation involves Azerbaijani and Georgian Governments, as well as World Bank, EBRD and ADB.

The implemented program represents “the significant reconstruction of national and international motorways”that will increase freight transit between Black Sea and Caspian Sea regions. According to the best practice carrying out this type of the project, it requires prior preparation of SEA<sup>11</sup>, that will study impacts of increased transport load on regional environment and adequately reflect social impacts. However, neither international financial institutions, nor regional governments are keen to conduct this exercise on regional level, and even on national level works carried with high level of deficiency.

In Georgia, Georgian Government and World Bank carry out E 60 highway reconstruction works. The East-West highway includes route from red bridge (Georgian/Azerbaijani border) through Tbilisi to Poti at the Black Sea and then south to Sarpi (Georgian/Turkish border).

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<sup>11</sup> E.g. 2001/42/EC directive, requires preparation of SEA of all programs and plan in following areas, agriculture, Forestry, Fishery, Energy, Industry, Transport, Waste management, Water resources management, Telecommunications, Tourism, urban and country planning, or land use issues.

In 2005-2006, Government from state budget funds reconstructed 15km road from Nataktari to Agaiani and allocates funds for reconstruction Sveneti-Ruisi part. Meanwhile, World Bank credits „East-West Highway Upgrade” aimed modernization of E 60 highway Againi-Sveneti part from two lanes to four lanes, with separate carriageways for the two directions of traffic, separated from each other by a dividing strip (central reserve) in accordance with Trans-European Motorway (TEM) standards.

Within the World Bank First East-West Highway Upgrade Project<sup>12</sup> 19 million USD was allocated for upgrade of 13 km between Agaiani and Igoeti. Moreover, within the Second East-West Highway Improvement Project it is planned to modernize Igoeti –Sveneti section and construct bypass of Agaiani, for 35 million USD<sup>13</sup>.

In total, around 60 km of E 60 should be modernized on this stage by Government and Bank. In addition, World Bank within the Infrastructure pre-investment facility<sup>14</sup> proposed around 1 million USD, for technical assistance, involving pre-feasibility technical-economic studies, preliminary project works and environmental assessment of Nataktari-Againi Road reconstruction.

According to Georgian legislation the rehabilitation/upgrade of motorway represents the project of the A category and requires full-scale Environmental Impact assessment to get Environmental Impact permit. It should be mentioned that as the project is implemented by Road department of Georgian Ministry of Economic Development, according to the Georgian Law on License and Permit it do not requires Environmental Permit (Part 1, Chapter 1, Clause 1, second part , ).<sup>15</sup>

However, it becomes clear for Road Department as it start implementation of the project on Agaiani-Igoeti section in 2006. During rehabilitation- reconstruction of Nataktari-Againi section, that has been implemented also by Roads Department, the Georgian Government exempt the project from EIA, despite the fact that law on licenses and Permits has been already enforced in 2005<sup>16</sup>.

Meanwhile, according to the Bank the Agaiani-Igoeti section of highway “is not environmentally sensitive”, and it attributes to category B according to the WB classification, that requires require the preparation of a site specific EIA (including EMP). The same is supposed to be done with regard of Igoeti-Sveneti section.

The revision all existing materials clarifies that decision to prepare site specific EIAs, for different sections of highway, represents classic example of manipulation with project category and avoiding preparation of full environmental impact assessment.

According to the World Bank Safeguard Policies, if project has significant environmental and social impacts (upgrade of two lanes to 4 lane, involuntary resettlement), it should be considered as A category, that involves preparation of full Environmental impact assessment, as well as preparation of resettlement action plan, even in case of economic resettlement<sup>17</sup>.

Environmental scoping report prepared by consultants for Igoeti-Sveneti section underlines that “Article 4(1) of Directive 97/11/EC unambiguously requires that the projects considering “Construction of a new road of four or more lanes, or realignment and/or widening of an existing road of two lanes or less so as to provide four or more lanes, where such new road, or realigned and/or widened section of road would be 10 km or more in a continuous length” must be subject to EIA<sup>18</sup>”. Aarhus Convention requires the same.

Despite of all abovementioned, World Bank and Georgian Government decide consider upgrade E60 highway not as one large project, but as number independent projects. According to the World Bank

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12<http://web.worldbank.org/external/projects/main?pagePK=64283627&piPK=73230&theSitePK=40941&menuPK=228424&Projectid=P083110>

13<http://web.worldbank.org/external/projects/main?pagePK=64283627&piPK=73230&theSitePK=40941&menuPK=228424&Projectid=P094044>

14<http://web.worldbank.org/external/projects/main?pagePK=64283627&piPK=73230&theSitePK=40941&menuPK=228424&Projectid=P098850>

15 Upgrading of Agaiani-igoeti Section of the E60 East West Highway , Environmental Management Plan, Tbilisi December 2006, Ministry of Economic Development of Georgia, Department of Roads of Georgia

16 Georgian Government Decree 327, 4th July 2006, “ To exempt Roads Department contractor LTD ZIMO from EIA procedure.

17 World Bank Involuntary Resettlement Policy 4.12,

<http://wbln0018.worldbank.org/Institutional/Manuals/OpManual.nsf/tocall/CA2D01A4D1BDF58085256B19008197F6?OpenDocument>

18 Environmental assessment for Agaiani-Sveneti Section of E60 highway, Bonifica, 2006

explanation, it decides to prepare “investment projects for approximately 40 km road. However, we will be financing these by three different credit projects. Therefore, we will address three road sections of approximately 40 km road separately. In addition, we consider that some sections may need to deal with resettlement, while others will not. So, in order to be more efficient we think we may need to consider sections individually”<sup>19</sup>.

As a result, three independent Environmental Impact Assessment reports were prepared and Resettlement Action plans for each section of highway, and not for whole planned activity, upgrade of E60 highway, and/or at least upgrade of Natakhtari-Agaiani 60 km project. “This is so called salami approach”<sup>20</sup>, through formal division of projects in different sectors that allows for the commencement of construction piece by piece, without a proper EIA of the whole project. Salami Tactic is a practice that is often used by IFIs and governments during the major road projects that often raise the dissatisfaction of the local communities”<sup>21</sup>.

The Resettlement Action Plan prepared for Agaiani-Sveneti section of E 60 within the World Bank Project frame, clearly reflects the existing differences between Georgian legislation and World Bank standards, as well as weaknesses of Georgian legislation. It should be mentioned that in this concrete case existing legislation gaps were filled in accordance of World Bank Involuntary Resettlement Action Plan, 4.12. However, it is very dubious that Georgian Government will continue to use the Bank standards in further E60 upgrade projects (if there would not be any Bank assistance), that will bring us towards situation when the project impact on local people would be much wider.

## **5.2 Case Study: Rehabilitation of Samtskhe-Javakheti Road**

One of the major proposals of Georgian Government to Millennium Development Corporation<sup>22</sup> was “Integration and Development of the Samtskhe-Javakheti region by building a road from Tbilisi to Samtskhe-Javakheti, one of the poorest regions in Georgia, where the predominantly ethnic-Armenian population is virtually cut-off from the rest of Georgia, physically and economically”<sup>23</sup>. The Millennium Challenge Georgia Fund allocated 102 million USD, for rehabilitation of Samtskhe-Javakheti Road (around 236 km).<sup>24</sup> The Project is implemented in accordance with World Bank Safeguard policies.

The project was classified as A category project, that may have significant impact on environment and full Environmental Impact Assessment procedure has been undertaken. It should be underlined, that opposing to the E 60 upgrade, the project aims only rehabilitation works and construction of few bypass. Despite the fact that project from the beginning was divided in number of sectors, the EIA was done for full road project<sup>25</sup>. In addition, the EIA in detail considers the environmentally sensitive sectors, including the Lake Kartsakhi that may be affected by the project. The list of mitigation measures within EIA is comprehensive and valid, e.g. with regard the lake Kartsakhi alternative route design has been proposed.

However, number of the issues still raise concerns with regard overall EIA system in Georgia. E.g. in 2007 through CENN was distributed the letter of local Non-Governmental Organization from Tetrtskaro, that negatively assessed the public hearings carried out and request new hearings arrangement. According to the statement, the majority of attended people (mainly from neighbourhood regions) were interested in employment opportunities within the project that prevents the project sponsors to make presentation about EIA and its findings, as well as to answer on directly affected (Tetrtskaro) peoples questions. Together with that local group was directly questioning accessibility of EIA full documentation

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19 letter from World Bank Infrastructure Specialist, T.Sulukhia, to CEE Bankwatch and CENN, October 15, 2004

20 “The splitting up of major infrastructure projects into smaller sections for EIA purposes (“salami-slicing”) is a common tactic which serves to downplay environmental impacts and allow the construction of the least controversial sections, thereby buying time and creating political pressure for the completion of the whole project”, lost in Transport, 2007, CEE Bankwatch Network

21 e.g. WWF European Policy Office submission to Public consultation on the report of the High Level Group on the extension of the main trans-European transport axes to the neighboring countries and regions and the way forward, 10 March 2006, ec.europa.eu/ten/transport/external\_dimension/hlg/2006\_02\_17\_tent\_consultation/doc/stakeholders\_contributions/environmental/02wwf.pdf+salami+tactic+HLG&hl=ka&ct=clnk&cd=1&gl=ge

22 The Millennium Challenge Corporation (MCC) is a United States Government corporation designed to work with some of the poorest countries in the world. Established in January 2004, MCC is based on the principle that aid is most effective when it reinforces good governance, economic freedom and investments in people. MCC’s mission is to reduce global poverty through the promotion of sustainable economic growth., <http://www.mcc.gov/about/index.php>

23 <http://www.cgdev.org/doc/mca%20monitor/GeorgiaCompactSummary.pdf>

24 <http://www.mcg.ge/?l=2&i=1443>

25 not site specific EIAs for different sections, as it happens in E60 upgrade

While the MCG corporation creates special web and hotline (in three languages – Georgian, Armenian and Russian), that quite positive step forward, but nowadays almost 90% of region's population have no access to internet. In addition, just placing the full EIA documentation only in regional governors and local "sakrebulo" offices is not enough. The Corporation does not satisfy request of local group, argued that it was last public hearing and during the EIA procedure it provides full information to public.

The problem is that Georgian Legislation does not recognize the scoping procedures, as well as all responsibility towards public participation and consultation process has been shifted towards the project sponsor before submitting application to the Ministry for the permit. As a result, the current legislation makes the public participation a mere formality –“ensuring” the publicity “outside” the license issuing body.

Consequently, it should not been surprising that Corporation had no interest to satisfy local group request, as it has not been interested in qualitative public hearings, rather just to fix the fact that it carry out public hearings. The reasons, for that formal approach is legislation that push publicity “outside” of license issuing body, that represents clear violation of Aarhus Convention and restricts public participation, as well as public consultation within the decision making process.

### **5.3 Case Study: Tbilisi and Batumi airports**

In 2006, EBRD and IFC gave 54 million USD to TAV Urban Georgia for implementation of Tbilisi International Airport project. It aimed construction of new international passenger's terminal rehabilitation works of runways in Tbilisi, as well as modernization of equipments and systems in Batumi Airport.

In line of EBRD and IFC safeguard policies the project has been classified as B category, that requires preparation of Environmental Analysis, while according to the Georgian Legislation project required full environmental impact assessment to get environmental permit.

The process carried out at the end 2006 exceed all expectations, as the environmental impact permit issuance procedure takes only one week, within that timeframe was done public announcement, arranged public hearing, carried out ecological expertise and was issued permit.

It is clear that public has no sufficient time to study EIA documentation<sup>26</sup> in prior of project approval by Ministry of Environment. However, Caucasus Environmental NGO Network (CENN) reviewed presented EIA and submitted its comments to Ministry of Economy, where project sponsor applied to get construction permit.

According to the CENN comments, document is very “unclear” about possible activity suppose to carried by project sponsor, option includes as construction of new airport, as well as new passenger terminal and reconstruction of existing airport. In addition, a document highlight that presented documentation represents EIA report for Airport exploitation phase (page 80).It is questionable, why project sponsor prepares airport exploitation phase EIA report, when it asks ministry of Economy construction permit”.

The presented EIA do not includes least cost analysis, the number of important issues, as safeguard measures to avoid technological catastrophes, fuel/ hazardous materials storage and handling, emergency response plans, have been presented in short and superficially. Altogether, the major part of the report represents “The project on limits of emission of hazardous substances in atmospheric air”, while itself EIA part has less space, that itself speaks about of the quality of document.

It should be mentioned that number of the social and environmental aspects have not been studied. E.g. “Traditionally, all radioactive waste in Georgia was stored at a burial site near the Tbilisi airport, however since 1982 there have been no new deposits at this site.”<sup>27</sup>. However, EIA do not addressed that problem.

IFC stated that “TAV Georgia has presented plans to address [these] issues and to demonstrate that the operation of the Tbilisi airport will, upon implementation of the specific measures comprising an associated Environmental Action Plan, comply with applicable Georgian environmental laws and regulations, relevant

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26 The announcement on availability of Tbilisi Airport EIA was done on Friday, with Public hearing on Monday.

27 E506 TBILISI WATER SUPPLY AND SANITATION PROJECT ENVIRONMENTAL ASSESSMENT AND ENVIRONMENTAL MANAGEMENT AND MONITORING PLAN, December 14, 2001, FILE COPY, K6 it, World Bank

international norms, and World Bank Group policies and guidelines.”<sup>28</sup> However, it becomes impossible to access environmental management plans and make any judgment over the issue. The only statement in an unofficial airport site says that “Environmental Impact Assessment (EIA) has been undertaken in accordance with national requirements and an Environmental Management Plan (EMP) is being developed to ensure that the construction and operation of the new international terminal will meet International Civil Aviation Organization (ICAO) standards of safety and environment and applicable Georgian and EU and World Bank/IFC environmental standards.”<sup>29</sup>

However, the new airport constructed under “International standards”, several time becomes under the public scrutiny<sup>30</sup> During the opening ceremony the rainwater flooded the terminal, while after one week it had lost a third of its roof. According to Academic Vakhtang Davitaia (dean of Tbilisi Technical University Architectural Planning department) , the cause of the damage to Tbilisi Airport terminal was its hasty construction and not a natural conditions<sup>31</sup>; “naturally, through the prompt construction of this type of the buildings the problems were expected. I fear, that more serious mistakes could appeared e.g. during earthquake. It is impossible that building constructed with the biggest rush has no defects”<sup>32</sup>.

In case of Batumi airport, no EIA has been presented. However, there were number of problems associated with the airport project, including erosion of the adjacent areas (airport is located on Sea Coast), close to the Batumi land field.

Dutch Commission on Environment Impact Assessment report<sup>33</sup>, underlined that , “during the inspection of the Batumi coastline in February 2007, the Commission could clearly observe the effect of coastal erosion, causing damage to several houses and buildings, especially in the area just north of the airport (village of Adlia).” According to Commission conclusions, “the coastal stretch to be immediately protected is located between the airport and 2,000 m north of it. Assuming that the initial height of the beach profile is 7 m and that the erosion rate is approximately 7 m/yr, then a total volume of 100,000 m<sup>3</sup> is required to protect this section for the first year to come. Although structural sediment mining is advised against without further studies, it is considered feasible and not harmful that for the emergency measures this quantity of material should be extracted once only from the sediment.

The Commission “recommended, as an emergency measure for one year, to use coarse bed material from the Chorokhi River and to place that along the eroding beach. ...The coastal stretch to be immediately protected is located between the airport and 2,000 m north of it.” However, Commission underlines that this is the short-term solution, and sediment mining in Chorokhi river bed (in light of construction of dams cascade on Turkish side) should be once only measure and “recommends to start the environmental assessment/feasibility study at very short notice in order to develop a long-term sustainable coastal protection scheme”

## **5.4 Case Study: Kulevi Oil Terminal and the Access Railway**

Kulevi Terminal at the Black Sea Cost (operational from 2008) will transport three types of oil products (raw oil, diesel fuel and mazut (black Oil)) annually. The products will be supplied through railway from Azerbaijan and then shipped. There were constructed through harbours that could allow receiving simultaneously two tankers. The volume of Terminal reservoirs is 380 cubic meter, while turnover is expected to be around 15-

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28 [www.ifc.org](http://www.ifc.org)

29 <http://www.airport.ge/Environmental.HTM> or (<http://cc.msnsccache.com/cache.aspx?q=72813125308255&mkt=en-US&lang=en> US&w=64a3c9c0&FORM=CVRE)

30 The new airport's fight with Mother Nature was the focus of the Georgian media's attention for the first time on February 18, when the roof started to leak after light rain. The following day the Director of the Airport resigned, though without giving a reason. Airport's roof airborne after winds by Anna Kamushadze, 26 February 2007, The Messenger

31 The Turkish company appeared to the press later, announcing that the major problems had been resolved. They declared that a group of workers were on the roof attempting to stop further damage. Passengers and visitors to the airport were not evacuated, though they were told to be careful of flying debris as they left the building. ...A TAV representative commented to Rustavi 2 that they couldn't predict such high winds (which were not strong enough to uproot trees, cause any damage to property in the city centre, or prevent flights from taking off and landing) would come to Georgia. **Airport's roof airborne after winds** by Anna Kamushadze , 26 February 2007, The Messenger

32 24 hour, [www.24 saati.org](http://www.24saati.org)

33 <http://docs1.eia.nl/os/i00/i0069/a69rr.pdf>

20 mln tone per year. Nowadays the terminal occupies more than 300 ha of Georgian Black Sea Coast that formerly represents Ramsar protected area.

The Construction of Kulevi Oil Terminal started based on Presidential Decree 1081, 1998 September. The construction was started with violation of Georgian National Legislation<sup>34</sup> and International Environmental Law. The violations also include: privatization of state lands without prior notification of Ramsar Convention Secretariat, there were no attempt to prove urgent state interest, Georgian Parliament do not ratify changes with regard of Ramsar protected areas borders, and EIA was not been prepared prior to construction.

In 1999 project sponsor purchased 100 ha of the land for construction, where from 30ha was wetlands territory<sup>35</sup>. For the terminal that supposed to carry out annually 6-10 tones of oil product, the railway access road was planned through Kolkhety National Park Territory.

Due to the Georgian NGOs efforts the different International organizations, including World Bank has been involved in case<sup>36</sup>. In September 2001, the project sponsor group<sup>37</sup> been forced to stop project finance, while simultaneously Georgian Prosecutor office opens criminal case against LTD Railway and LTD Terminal 2000<sup>38</sup>.

Since the Rose revolution, the terminal construction reopened. The major sponsor becomes Black Sea Terminal (Georgian Investment Company chaired by Badri Patarkastishvili) and International Consortium , that includes former main sponsor Argo Mar Oil. <sup>39</sup>.

In 2005 the Georgian Government adopted decree <sup>40</sup>, based on the Document "The confirmation of urgent state interest of the construction of oil terminal in river Kobi estuary" developed by Ministry of Economy . According to that Decree the above mentioned constructed was announced as urgent state interest and welcomes draft of presidential decree that grants directly 41.37 ha of land plot to LTD "Black Sea industry"<sup>41</sup>. Based on this document it becomes possible to start construction of 12km access railway road "Kolkheti-

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34 The construction starts without construction and environmental permits.

35 One example is the construction of the Black Sea oil terminal close to the settlement Kulevi at the Black Sea coast. The area it occupies and the infrastructure it requires, including a deep water navigation channel for tankers and a railway for land transport, destroy and damage areas of global importance. These damaging activities also take place in areas that are designated as the Kolkheti National Park (KNP) and as the Central Kolkheti Wetlands Ramsar Site (N°893). The government justifies its choices with "urgent national interests".

36 Since 1998 World Bank and Global Environmental Fund implemented Integrated Coastal Management Zone project, that creates foundation for Kolkety National Park. World Bank senior management required from Georgian Government to stop Kulevi Terminal Construction. In 2001 Georgia has been visited by High level mission, and in 2002 hired consultant company CEFAS. The company studied EIA of Kulevi terminal and all related researches, that was prepared by Zenith Gamma Consulting for project sponsor. Based on studies, company prepare recommendations for Georgian Government. According to the CEFAS conclusion, the prepared EIAs for Railway and Marine part of Kulevi Terminal were with significant deficient. The report includes the list of mitigation and compensation measures, that should be undertaken in marine and inland parts of the project.

37 ArgoMar Oil and LTD Georgian Railway

38 The Rustavi 2 TV program "60 minute" carried out journalist investigation about Kulevi Oil terminal and discovered that around 60 million USD was washed during the construction process.

39 Despite the enormous project total costs (around 1 billion USD) the information with regard of the project sponsors and shareholders were scarce. ArgoMar Oil was established in Austria, then it was reregistered in Cyprus, while in 2006 it was on liquidation process, [www.compnet.at/html/index394.html](http://www.compnet.at/html/index394.html) [05.04.2006]. At the present time the only office of ArgoMar is registered in Azerbaijan.

40 According to Georgian Government decree #209 of 25 May, 2005 " Declaring Urgent State interest with regard of construction of Kulevi oil and oil products marine terminal and access railway road"

41 "Green Alternative" sent request to Prime-Minister to provide the document prepared by Ministry of Economic development, that becomes the basis for this particular decree, as well as the copy of the agreement with regard of this document from the side of Ministry of Environment. The Government Chancellery promptly send the answer (letter 35, 20.06.05) with attached document and so called agreement letter copy.

However, during the public meeting in Ministry of Environment ,13th July 2006, it becomes clear that the document send by Government Chancellery was rejected by Ministry of Environment. Under the same title another document was presented by Ministry of Economy that receives final approval of the Ministry only at 5th July 2006. It means that, during the cabinet meeting, 25 May Minister of Environment agreed on the issue, that for agreement was submitted to ministry 2 months after.

Kulevi” on the territory of National Park<sup>42</sup>. In parallel, was prepared EIA documents for access railway road and Marine part<sup>43</sup>.

The Coastal Zone integrated management centre, funded by World Bank, assess the presented EIA documents as non adequate, not considering alternatives, without clear list of impacts and proposed mitigations, with low level of public participation and the major problem of crossing of National Park by Railway road, that represents violation of National legislation.<sup>44</sup> The same assessment were done by Ramsar Secretariat, that underlines that EIA for Terminal Marine Part and mitigation measures plan is not detailed and unsatisfactory.

Early 2007, the agreement on purchasing Kulevi Oil Terminal from B.Patarkastsishvili by Azerbaijani State Oil Company (SOCAR) was signed<sup>45</sup>. Same time new project sponsor announced that Georgian Government agrees on construction of Oil refinery in Kulevi. In 2007, Georgia president under the direct purchasing rule granted 301 ha of the land to Black Sea Industry, as for expansion of terminal as well as for construction railway access road.

According to Ramsar Convention, in case of withdrawal and/or reduction of territory from protected areas list, it is obligatory that Party replaced it with the territory of same ecological significance. In August 2005, the consultation mission of Ramsar Convention once more underlined that it is necessary to study in detail the impact of the terminal construction and operation on Ramsar sites<sup>46</sup>, and prepare detailed Action plan for damage compensation. However, until now it is not clear what the stages of works are and when Ministry together with project sponsor supposed to carry out undertaking International obligations.

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42 “Another construction that infringes on Georgian environmental laws, World Bank agreements, and the Ramsar Convention is the establishment of a railway for oil transport to connect existing infrastructure with the Kulevi terminal. The new 12.5 km long railway will start from an existing track close to the city of Poti and run along the border of the KNP”, *The Golden Fleece in trouble - the endangering of the Kolkheti peatlands (Georgia)*, Matthias Krebs & Hans Joosten, available at: [http://www.imcg.net/imcgnl/nl0601/nl0601\\_4.htm](http://www.imcg.net/imcgnl/nl0601/nl0601_4.htm)

43 It should be mentioned that despite the fact that Public hearing has been conducted in Ministry of Environment, with regard of EIA report to Kulevi Oil terminal Marine Part and railway access road, itself the EIA documentations has not been distributed, despite the assurance of project sponsor that documentation will become publicly available it never have been implemented.

44 “Some arguments with regard of the Kulevi Terminal Railway Access Road EIA report” letter to head of department of licenses and permits, Ministry of Environment, from the director of Integrated Coastal zone management, 30 June, 2005

45 <http://www.today.az/news/business/34842.html>

46 Endangered ecosystems can only be conserved by an effective and powerful nature protection system like the Kolkheti National Park. Long-term support of the National Park could be made available through the establishment of a specific Heritage Fund, financed by the Black Sea Terminal Ltd and managed by wetland and marine experts and representatives of the Government (MOE), the Black Sea Terminal Ltd., and environmental NGOs (Salathé 2005).

## **Conclusions and Recommendations**

The non-existence of sustainable transport development policy in Georgia, accompanied with the deficient legislative basis, especially weak with the environmental and social impacts mitigation mechanisms, results in non-consistent practice.

Nowadays, the usage of transit potential of country and development of transport infrastructure represents the interest of Georgia and International Community, including EU. In order to gain all benefits from that development Georgia should forecast not only political and economic aspects and results, but also environmental and social outcomes and ensure its integration on all level of decision-making. The particular attention must be paid to effective expenditure, direct benefits for the population of the country and minimum damage to environment and the public.

### ***Recommendations***

For successful implementation of transport infrastructural projects in Georgia It is necessary to harmonize Georgian legislation with the relevant directives of EU that would give possibility to introduce and implement all horizontal measures in accordance with best international practice.

Any Transport program must be preceded by strategic environmental assessment, not to mention the necessity of integrated social and environmental assessment at the project level.

The relevant state bodies should permanently carry out monitoring of implementation of environmental, as well as social action plans and provide its results to wider audience.

The public participation and organization of public meetings must be guaranteed regarding the strategic decisions, as well as with regard of the disputable issues of the concrete projects.

As the infrastructural programs are usually implemented faster than environmental programs, it is necessary to avoid negative impact both on the existing and planned protected areas, for example, on the protected areas included in the Emerald Network (which is an analogue of Nature 2000) and the areas protected under Ramsar Convention.

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