

Government of Georgia

Decree №1372

September 18, 2013

Tbilisi

**On the Approval of the Strategy for the Development of Samegrelo – Zemo Svaneti
Region for 2014-2021**

“In accordance with Subsection “s” of Article 5 of Georgian Law on the Structure, Authorities and Operation of the Government of Georgia and Annex 2 (Technical and Administrative Provisions) to the Agreement on Financing between EU and the Government of Georgia of 14 November 2011 (Support to regional Development of Georgia), this Strategy for Development of Samegrelo Zemo Svaneti region for 2014-2021 Period shall be approved.”

Prime Minister

B. Ivanishvili

Strategy for the Development of Samegrelo – Zemo Svaneti Region for 2014-2021

I. General Description of the Region

Samegrelo-Zemo Svaneti region is located in the western part of Georgia, on Colchis Lowland. In the west the region shares borders with Black Sea, in the north-west – Autonomous Republic of Abkhazia, in the north – Russian Federation, and in the east – Imereti and Racha-Lechkhumi-Kvemo Svaneti regions. The total area of Samegrelo-Zemo Svaneti is 75,000 sq. km, 10.8% of the country's territory. Population of the region is 478,200, which is 10.66% of Georgian population. The region includes 497 settlements, which include 8 cities, 2 towns and 487 villages. 40.3% of the population lives in the cities and towns and 59.7% lives in the villages. High mountain settlements (over 1000 m) include 136 villages of Mestia Municipality and 1 village of Martvili Municipality. 98.6% of the population is ethnic Georgians. Population density of the region is 64 people per sq. km. Samegrelo-Zemo Svaneti region includes 9 self-government units: self-governing city of Poti; Abasha, Zugdidi, Martvili, Mestia, Senaki, Chkhorotsku, Tsalenjikha and Khobi municipalities. At the regional level, the executive power of the state is represented by the state representative – governor, whose administration is located in the city of Zugdidi. City of Zugdidi is located at 325 km from the capital city Tbilisi.

Major part of region territory is characterized by subtropical climate, while in northern part of the region the climate is subalpine and alpine. The region includes Kolkheti Lowlands, characterized by excessively humid subtropical climate significantly influenced by the Black Sea.

The region is characterized with complicated social situation and demographic problems. Dynamics of both population migration and natural growth are negative.

With its population, Samegrelo-Zemo Svaneti is one of the large regions of Georgia. According to available official data, Samegrelo - Zemo Svaneti population is 478,200. 37.2% of the region's population resides in Zugdidi Municipality.

In 2012, natural population growth rate was negative (-364 people or -0.76%). Internal and external migration negatively impact demographic situation of the region. Migration processes are mostly caused by difficult social situation and poor employment opportunities. Employable population mostly moves to Tbilisi or abroad for employment.

MAP

II Social Development of the Region

Life Standards and Social Security of the Population

In Samegrelo - Zemo Svaneti region, active population is 211,000; self-employed – 128; employment rate - 16.5%; activity level – 70.7%; and employment rate – 59%. It should be noted that according to experts' assessments, formal data does not provide an accurate picture of employment in the region. This is caused with the inclusion of the self-employed

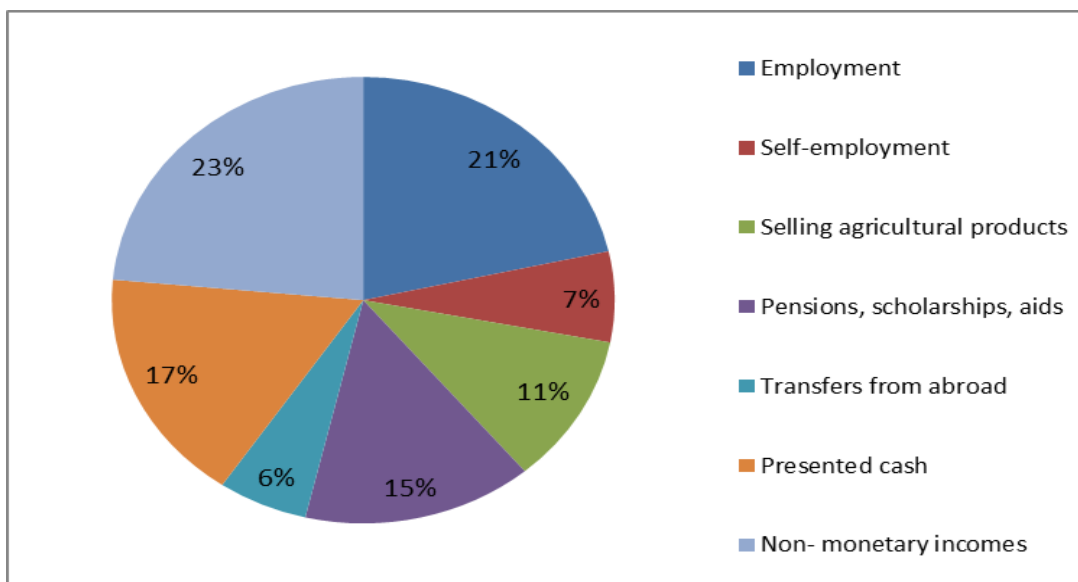
in agriculture into the category of employed. Most part of the self-employed, given the average annual period of employment and their low incomes, could not be regarded as fully employed people.

In 2011, average annual number of hired employees in the region was 25,200 (5.26% of the region's population), 26.92% higher than the figure for 2010. During the same period, 9,736 people were employed by large enterprises; 7441 – by medium-size enterprises; and 8,062 people – by small enterprises.

In 2011, average monthly remuneration of the hired employees was GEL 436.4 (GEL 358.5 where the employer was a local natural person or legal entity; GEL 1025.7 – if the employer was foreign natural person or legal entity; and GEL 207.1 – public sector). This indicator is GEL 7.3 higher than in 2010. Average monthly remuneration in large businesses was GEL 701.6; medium-size entities – GEL 299; and small entities – GEL 216.7. Samegrelo - Zemo Svaneti is in the fourth place based on the average monthly remuneration among the regions of Georgia.

In 2011, annual monthly average monetary and non-monetary income of the households was GEL 639.1 and monetary incomes and remittances were GEL 488.8. Based on this data, Samegrelo - Zemo Svaneti stands third among Georgian regions after Adjara and Kvemo Kartli. Distribution of household incomes by types is as follows:

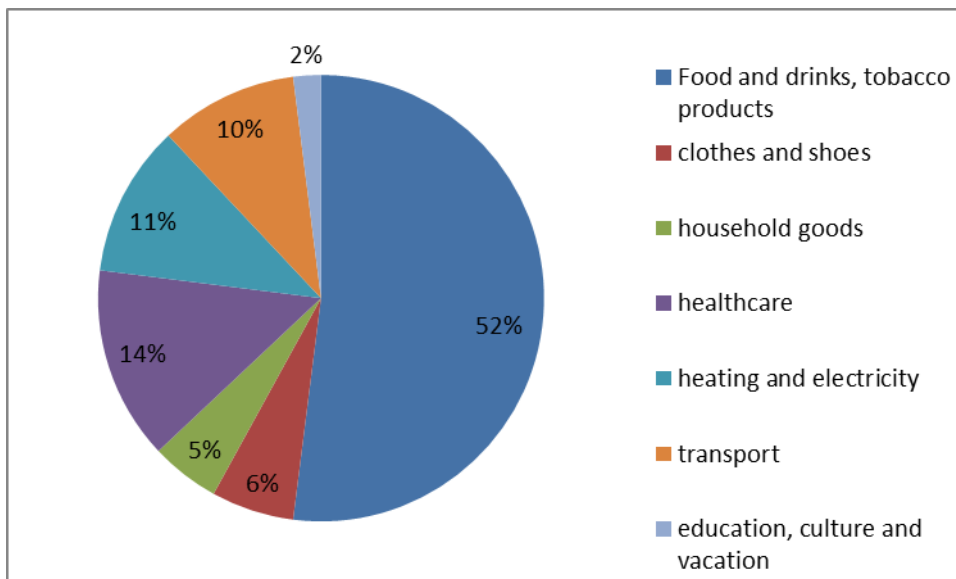
Household incomes' structure (2011)



Source: Geostat

Expenses of the households by types are as follows:

Household expenses' structure (2011)



Source: Geostat

Rates of poverty and extreme poverty are very high in the region. In 2012, unified database of the vulnerable families (of the region) included 57,500 and only 14,500 families of them received allowances. Percentage of families registered with the database is close to the country's average.

In Samegrelo - Zemo Svaneti, 94,600 are registered recipients of pension and social packages, who comprise 19.7% of the population, slightly exceeding the national average (19.05%).

12,400 disabled persons are registered in the region; about one third of them are recipients of subsistence allowances.

Self-governing units of the region must pay, as one-time assistance, GEL 500 from their budgets (because of scarcity of local budget) to the socially vulnerable and disabled. There are almost no other significant programs to address the problems of these people.

It should be noted that development of the infrastructure adapted for the disabled in compliance with the relevant construction standards does not take place in the region, hindering their proper integration into public life.

In Samegrelo - Zemo Svaneti, 89,500 Internally Displaced Persons (IDPs) (28.8 thousand families) are registered. They comprise 18.7% of the region's population. On this indicator, Samegrelo - Zemo Svaneti is first among all the regions in Georgia. IDPs were resettled in the region as individually and in dense settlements (23.5%). For most of them the problem of proper accommodation is not solved yet.

Health Care

In Samegrelo - Zemo Svaneti region, medical facilities include 25 hospitals with 764 beds, where medical services are provided to about 14,300 patients. Health facilities are funded by the insurance companies and patients' payments. In the recent years, private companies

performed renovation of the hospitals in accordance with effective standards in all municipal centers and the city of Poti (Zugdidi: 160 beds; Poti- 75 beds; Mestia- 25 beds; other municipalities – 15 beds in each). There is a children's home for the disabled children and Senaki Psycho-Neurological Care Home with 34 beneficiaries in the region.

Health facilities of the region also include 9 polyclinic complexes with 120 ambulances 5 polyclinics, 2 independent ambulance services and 7 high-mountain health facilities. In 2011, number of visits to the doctors (including preventive visits) at these facilities was 384,500.

There are 1,100 medical doctors and 1,300 paramedical staff in the region.

260 ambulance units provide services to all the self-governing units of the region. Motor fleet of the ambulance units are outdated and require upgrades.

Though the ratio of doctor to patient is 1:2000 (one doctor and nurse provide services to less than 2000 patients) , provided by the Primary Health-care Plan, in Samegrelo - Zemo Svaneti, visits to the doctors per person in the rural areas is still low. In Samegrelo - Zemo Svaneti this figure is 0.6. Though this trend is similar to other regions in Georgia, this resulted in weakness of links between the primary health facilities and hospital sector; therefore, the patients prefer to visit the hospitals directly.

Number of private insurance beneficiaries is very low in the region. Usually, these services are used in the urban settlements. Problem of affordability of medical services and medicines is quite significant in the region. Expanded health insurance program provides the basic state insurance package to the population though this is not sufficient to fully deal with the problem.

E d u c a t i o n

There are 260 public schools with 45,500 students in the region. Most schools in the region require significant renovation. In the recent years, optimization of general education schools was carried out in the region (15 public schools were closed). Problem of inadequate schooling facilities for the students was not identified in the region.

225 state and 23 private pre-school education facilities operate with 8,900 children enrolled (31.6% of aggregate number of the children of relevant age) in the region. Most institutions require significant renovation and equipment upgrade.

Vocational education institutions operate in Poti, Khobi, Zeda Etseri (Zugdidi Municipality) and Mestia. All four institutions are funded from the municipal budget. Most of the graduates of these institutions cannot meet labor market demands.

One state and one private university operate in the region. Material and technical basis, curricula and processes of both universities require further improvement. Shota Meskhia Zugdidi State University has the faculties of humanities, business, law and health.

The university graduates are zoo-technicians, veterinarians, horticulture specialists, and plant growing specialists. Zugdidi State Teaching University provides education in professions such as: assistant pharmacist, priest, criminalist, accountant, etc. In addition, they provide education in business administration, Georgian philology, English philology, pharmacy, small business management, pharmaceutical analysis and history of Georgian literature. It should be noted that in 2010, 1,715 residents of Samegrelo - Zemo Svaneti

region (0.36% of the region population) – 1008 women and 707 men – were enrolled at the higher education institutions of Georgia.

Culture and Sports

In the region, there are 27 museums; the most notable of them is Dadiani Palace and the Historical-Architectural Museum in Zugdidi; K. Gamsakhurdia Museum in Abasha; Svaneti Museum in Mestia; Ethnographical Museum and M. Khergiani Museum in Ushguli. Number of visitors to these museums was 56,900 in 2011.

The region has 121 libraries, 112 of which operate in the rural areas.

In Samegrelo - Zemo Svaneti region, there are number of theatres, in which 151 performances were staged in 2011, and 13,200 spectators attended them.

In Zugdidi Municipality there are 2 (one state and one public) theatres. In Poti, there is V. Gunia State Theatre; in Senaki – A. Khorava State Dramatic Theatre (in 2008, the theatre building was awarded the status of a cultural monument); and in Khobi – Khobi People's Theatre. There is one theatre in each of Tsalenjikha and Chkhorotsku municipalities. It should be noted that Tsalenjikha and Chkhorotsku theatres have no proper material and technical bases.

In the region, there are 10 culture centers and 11 musical schools, and village culture centers and art schools. These facilities have outdated infrastructure that requires renovation.

There are 9 sports complexes and 6 sports schools with football, athletics, wrestling, chess, basketball, martial arts, judo, horse riding, tennis, grass hockey and rugby sections in the region. In addition, there are 5 chess schools and 2 chess centers in the region. In Abasha, there is an equestrian sports club, which has won the first place in the team championship of Georgia in 2008. There are established regional sports federations in Samegrelo - Zemo Svaneti.

Regional clubs: “Zugdidi” of Zugdidi, “Merani” of Martvili and “Kolkheti” of Poti participate in the major league soccer championships of Georgia; “Skuri” of Tsalenjikha and “Kolkheti” of Khobi play in the first league. For the purpose of football development and support, within the scopes of programs funded by self-governing units, 73 simple standard playgrounds, 43 arena football playgrounds with artificial turf and 16 complex playgrounds were constructed. In addition, in Ganmukhuri, a stadium was constructed in compliance with the modern standards.

Civil Sector and Mass Media

Situation with respect to NGO sector development in the region is unsatisfactory. Currently, there are about 20 local NGOs in the region, implementing projects more or less regularly. They participate in the regional coordination meetings regularly arranged between the NGOs and representatives of local governments for the purpose of information sharing, discussion of problems and formation of cooperation for their solving. Most of the mentioned organizations are funded by international donor organizations. Active support is provided due to close location of Samegrelo - Zemo Svaneti region to the conflict zone and high concentration of IDPs in the region. Till date, only few NGOs operating in Zugdidi have achieved certain stability. It should be noted that distribution of civic organizations by

sectors and geographical areas is non-uniform. In particular, most organizations operate in Zugdidi. Though they work in the other areas of the region, their interventions, in many cases, are one time activities and of fragmented nature. Most organizations are engaged in the protection of the IDPs, gender and education issues. Three organizations work on the rights of the disabled persons and two of them in health sector. None of the organizations work on environmental issues. Participation of local civic organizations in decision-making, including budgeting processes, at the local level is quite passive.

Local media is quite well developed in Samegrelo - Zemo Svaneti region. There are a number of local TV stations: TV company “Odishi” in Zugdidi (covering Zugdidi, Khobi, part of Senaki and Tsalenjikha); TV companies “Egrisi” and “Atlantida” in Senaki (cover Senaki, Khobi and Abasha); “Jikha” TV company in Tsalenjikha; “Kolkheti 89” TV company in Tsalenjikha; and “Metskhre Talgha” (Ninth Wave) in Poti (covering Poti, Khobi and partially – Abasha and Senaki). Municipal and private newspapers and magazines are published in the region.

Gender Data

Only 21 of 194 members of the local councils of 9 self-government units of the region are women (it should be noted that there is only one women member in Zugdidi Local Council). 681 people are employed by the municipal bodies and 237 of them are women. Among them only 22 are at the top positions. Hence, it can be said that the role of women in decision-making process is quite insignificant.

Number of men employed in business sector significantly exceeds the number of women. According to the data for year 2009, 8,853 women and 16,385 men were employed in the business sector. Remunerations of men and women are significantly different as well. In particular, in 2009, average monthly remuneration of women was GEL 246.9, while men’s average monthly remuneration was GEL 539.8.

III Economic Development of the Region

Natural Resources

Water resources and energy potential: Samegrelo - Zemo Svaneti region is characterized with abundance of water resources. Black Sea coastal zone which is of trans-border significance is located in this region. 2,400 large and small rivers are registered in the region. The longest rivers include: Enguri (213 km), Khobistskali (150 km), Tekhuri (101 km) and Abashistskali (66 km). Rivers Rioni and Tskhenistskali flow through the borders of the region for 88km and 44 km respectively.

Quantity of ground waters comprises 25% of the region’s total water resources. The region is rich with lakes and mineral and thermal waters (there are 13 lakes with about 65 km² of total surface area in the region). Jvari Water Reservoir with 13.5 m² surface area is located in this region too. In 2011, according to water consumption data, water taken from the natural water bodies (ground and surface waters) was 4.935 million m³, and water use was 4.933 million m³. 99% of the usage was for hydro-energy generation, while 1% was used in agriculture and for industrial purposes.

In Samegrelo - Zemo Svaneti, there are reserves of pure potable and healing waters. Recreation and resort potential of the mineral and thermal waters in the region is not well

developed because of absence of adequate infrastructure. Currently only 3 licenses are issued for mineral water extraction in the region (with a prospective daily resource of 1,250 m³).

Most part of electricity consumed in the country is generated in Samegrelo - Zemo Svaneti region, and hence the region, as a guarantor of energy security, occupies a special place in the country. Currently there are 5 hydropower stations in Samegrelo: - Zemo Svaneti: in Tsalenjikha municipality – “Engurhesi” and “Skurhesi”; in Chkhorotsku Municipality – “Chkhorhesi”; and in Martvili Municipality – “Abhesi” and Kurzhesi”. Their aggregate output is 4,350 million kwt/hr. The region has very favorable natural conditions for additional power generation capacities. Due to steep mountainous relief and high quantities of precipitation, the rivers in Samegrelo are abundant sources of electricity. Aggregate hydropower resources of these rivers comprise 3.3 billion kilowatt, i.e., 13% of the total potential hydropower resources of Georgia. Abundance of hydropower resources in the region allows construction of numerous small hydropower projects (HPPs). Possibility of modernization of the existing small HPPs should also be taken into consideration; this would promote growth of the output. In addition, in use of hydro-resources of the region, geodynamic potential and high risk of danger should be taken into account as well.

Samegrelo - Zemo Svaneti region, compared with the other regions, is rich with thermal water resources with high energy potential (Extraction of thermal waters is licensed in villages Tsaishi, Senaki and Khobi in Zugdidi Municipality, where the daily resources comprise 6,900 m³, 2,146 m³ and 5,122 m³ respectively). Total reserves of the region’s thermal water deposits comprise 35,000 m³. The largest studied in detail and ready for operation is Zugdidi-Tsaishi deposit with the estimated operation resources of 14,300 m³ per day (80⁰-100⁰ temperature).

The region has significant potential with respect to renewable energy sources such as solar, wind and geothermal water energy. In most parts of the region, wind energy potential varies within 100-250 wt/m², while in Poti, adjacent territories and coastal zone it is 800-1200 wt/m². Among 9 potential areas for wind stations, territory of Poti is selected as a prospective wind station with 90 MW installed capacity, sufficient to supply electricity to 11000 families. Solar energy potential over the region’s entire territory is 3.8 kwt/m².

There is practiced use of livestock wastes for biogas production (biogas plants in Mestia Khobi, and Matvili in Zugdidi). Extensive consumption of biogas would significantly reduce physical labor of the farmers (collection of firewood and storage). Byproducts of biogas plants such as manure without methanol are used as a top quality fertilizer. Wide introduction of these practices would improve the population’s life standards, reduce greenhouse gasses emissions and save monetary assets of the population. In addition, it should be noted that there is a significant resource of biomass in a form of hazelnut production wastes, which could be effectively used for the energy purposes.

Forest resources: Samegrelo - Zemo Svaneti region is one of the areas of the country with abundant forest resources. Forests cover 41% of the region’s area. Area of the forest fund in the region comprise 276,300 hectares, 259,700 (94%) of which is covered with forest (it should be noted that data of timber production for years 2011-2012 are incomplete and do not fully correspond to the actual situation in the region). There are so called “intact forests” maintained in this region, which, together with the other forested areas, create a deposit of biodiversity. Significant part of the forests in the region’s territory is located on

the steep slopes and hence, they are distinguished by their certain functional purpose. In addition to the industrial potential, their soil protection, water regulation and climate regulation functions should be emphasized.

Among the key hard timber deciduous species composing the forest, at the regional scale, beech is predominant (spread over 77,565 hectares area, with 14774.2 thousand m³ timber reserve); significant areas are covered with hornbeams (16,700 hectares, and 1418.4 m³ timber reserve); chestnuts (14,228 hectares, 2,357.4 m³ timber reserve); oaks (4,699 hectares, 358.6 thousand m³ timber reserve); maple (472 hectares, 43 thousand m³ timber reserve); oriental hornbeams (1,083 hectares, 38,900 m³ timber reserve); and acacias (1,628 hectares, 67,500 m³ timber reserve). Unique buxus woods should be particularly emphasized (1,639 hectares, 130,500 m³ buxus). Among the coniferous species, there are firs (56,545 hectares, 21793.6 thousand m³ timber reserve); spruce (14,842 hectares, 3526.4 thousand m³ timber reserve); and pines (10,888 hectares, 1688.5 thousand m³ hectares). Among soft-timber species, the largest areas are covered with alder (51,734 hectares, 673,300 m³ timber reserve) and aspens (1,284 hectares, 103.4 thousand m³ timber reserve). Available raw material basis provides opportunities for the development of investments in this aspect. Forests at the regional scale allow full satisfaction of the population's demand for firewood and timber materials. According to the data collected from many years, timber resources consumed in a 5 year period varied in each year. Firewood resources were fully consumed by the population, while increase of the rate of timber production in the region is caused by growth of demand in industry. Currently, timber cutting takes place at 7,8019 hectares area; for this, 30 licenses for timber production were issued. An additional 2,092 hectares area is used for hunting purposes. 101 licensed sawmills are registered in the region.

It should be noted that no inventory of the forest resources was conducted in the region.

Minerals: In 2002, assessment made by the Academy of Science of Georgia on the development of mineral resources in the region estimated that the total economic potential of mineral resource complex of Samegrelo - Zemo Svaneti region was \$6.4 billion. Value of fuel and energy resources were estimated as \$333.2 million; potential of non-ferrous metals and gold deposits - \$3 billion; potential of the construction industry materials' deposits - \$2.7 billion; and potential of deposits required for food industry and health care sphere - \$324.1 million. Currently 185 licenses are issued for extraction of the mining resources in the region.

There are 4 key deposits of tuff in the region: Anaklia and Churia (Zugdidi Municipality); Nabada (city of Poti); and Otsantsaleshi (Martvili Municipality). In addition, in Zugdidi, Martvili and Tsalenjikha municipalities, there are small tuff occurrences. Aggregate tuff reserves comprise 48 million tons.

There are deposits of non-ferrous metals in the region. Estimated gold resource is 103.7 tons; lead – 300,000 tons; zinc – 370,000 tons; copper – 376,000 tons; cobalt – 6 tons; and silver – 8.4 tons.

In Martvili, Mestia and Chkhorotsku municipalities there are facing stones. Reserves of magmatic rocks comprise 6475 thousand m³ and the economic potential of the deposits is \$317 million. There are marble deposits in Mestia Municipality with 2,992 m³ reserves with an economic potential of \$441 million. In Mestia, Martvili and Tsalenjikha municipalities, there are facing stone deposits with 1089 thousand m³ reserves with \$75

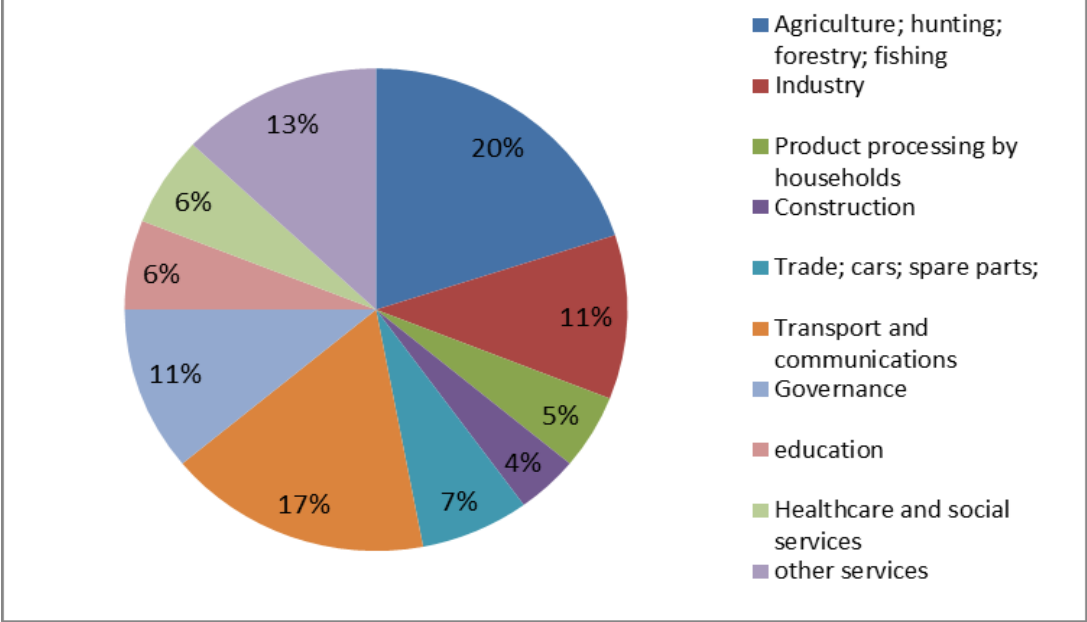
million economic potential. Raw materials of the stone and gravel, limestone deposits, are set in Martvili, Senaki, Chkhorotsku and Tsalenjikha municipalities. Reserves comprise 119162 thousand m³, with an economic potential of \$952 millions. Deposits of limestone for lime production are located in Mestia, Senaki, Zugdidi and Tsalenjikha districts. There is clay that is used to make bricks is present in the region, with an economic potential of \$249.8 million, as well as the deposits of gypsum and anhydrite with the reserves of 12,584 tons. Barite deposits in the region are not estimated yet.

For effective management and use of Samegrelo - Zemo Svaneti minerals, its resources potential, registration of the reserves not evaluated earlier and their complex estimation is a significant challenge. In addition, it should be noted that significant quantities of tuff was extracted at Kolkheti (Colchis) Lowlands requiring proper warehousing, evaluation and disposal.

Added value provided in the region

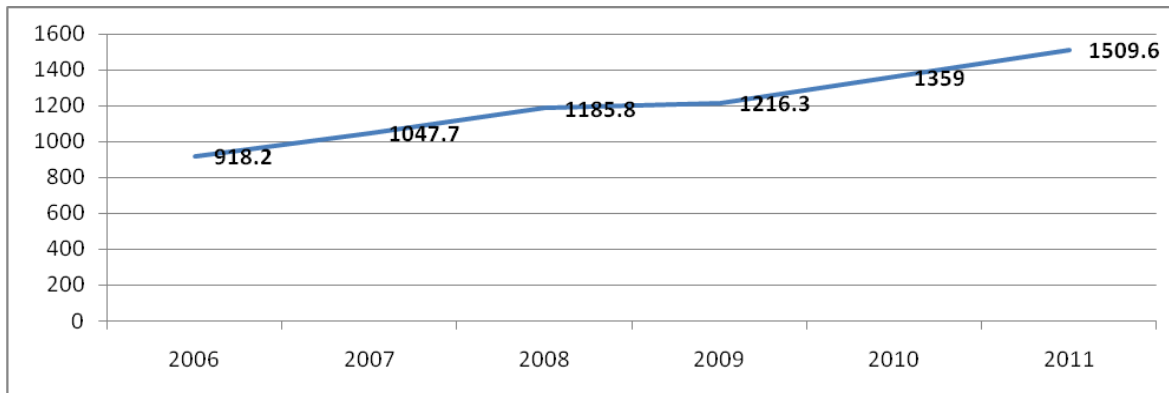
According to data of 2011, added value provided in the region is GEL 1509.6 million (approximately 7.2% of the total added value produced by the country). Structure of added value of the region is as follows: agriculture – 20%; transport and communications – 17%; services – 13%; industry – 11%; state government – 11%; contribution of the other sectors is no more than 7 per cent.

Structure of the region’s added value (2011)



In 2006-2011, growth of the region’s added value was characterized with the positive dynamics. Aggregate growth was 64.4%, and average annual growth rate was 11.05%. Per capita growth in Samegrelo - Zemo Svaneti region is GEL 3,200 , 5.5% less than average rate for the other regions of Georgia (3,300) (excluding Tbilisi).

Dynamics of growth of added value produced in the region (2006-11)



Geostat

Business Sector

According to the official data of Business Registry, there are 14,700 thousand subjects in the region, comprising 10.5% of the total number of subjects registered in the country. Among the regions, by the number of registered subjects, Samegrelo - Zemo Svaneti is after Tbilisi and Imereti. Most of these subjects are small and medium businesses. Most of them are individual entrepreneurs – 33,600. There are also limited liability companies – 5,100; cooperatives – 828; solitary liability companies – 356; joint stock companies – 255; and non-profit legal entities – 1173.

In 2011, added value generated in Samegrelo - Zemo Svaneti's business sector comprised GEL 366.3 million, which is two times higher than the same figure for year 2006. With respect to investments in fixed assets, significant growth was recorded from 2010, achieving, as of 2011, GEL 162.1 million. In the same year, business sector turnover almost tripled, compared with 2006, comprising GEL 1.332 million. Production in the same period increased about 2.4 times and amounted to GEL 836.2 million in 2011.

Business sector development in the region is based on the following advantages: The region is a strategic location, particularly due its transit function – existence of Poti Port in its territory, connecting European and Asian countries, and western and eastern regions of Georgia. In recent years, banking sector has been significantly developed in the region. Branch offices and service centers of commercial banks operate in all self-governing units. Number of microfinance entities increased as well. A good number of audit firms operate in the region and Zugdidi and Poti have branches of almost all insurance companies that operate in the country.

Existence of Poti Free Industrial Zone (FIZ), created in 2010, could be regarded as a factor that promotes business sector development. The FIZ occupies an area of about 300

hectares. Investments in the Poti FIZ contribute to creation of new jobs and provide opportunities for the development of local supply market and direct and indirect relations with the investors. By the end of 2013, a network of main and accessory roads to the industrial land parcels in the FIZ project zone will be constructed, as well as streets lighting, water and power supply facilities, arrangement of fire-protection, sewage, wastewater and telecommunication infrastructures, as well as providing an irrigation network for the green zones. Proper investment and infrastructure policies, as well as improvement of investment environment in the country, significant investments in the FIZ are expected especially in sectors such as high technologies, biotechnology, production of construction materials, engineering, steel, light industry, etc. With respect to business development and growth of cargo turnover, additional opportunities will be provided via further study of the possibility of a high capacity port in Anaklia as well as commissioning of Mestia Airport and completion of Poti Airport.

In recent years, positive trends were recorded in processing and export-oriented sectors (e.g., hazelnut production and processing grew significantly and steadily for the last decade). Development trends are apparent in the service sphere as well and situation in trading entities also improved.

Proper development of business sector in the region is hindered by the following factors:

The region's closeness to the conflict zone, weak commercial and basic infrastructure, poor revenues of the population and local budget, limited investments, low development level of local social capital, situation of labor market, high price and limited availability of bank credits (including agri-credits), low potential for alternative capital, lack of systematic information about local business potential and supply market.

In addition, the region lacks the most significant business supporting organizations (with the exception of Zugdidi Chamber of Trade and Industry with its very limited resources and capacities, and the newly established AIP in Poti, which, within the scopes of the grant project, provides consultations to support small and medium businesses) – such as business center, business incubator, re-training centers, investment and technological transfer centers, leasing companies, etc. Significant projects of well known international organizations and international NGOs operating in the region provide only fragmented support to business sector.

It should be noted that in 2008-2009, the national program of “cheap credits” was implemented to support small and medium businesses. Within the scope of this program, at the national level, including Samegrelo - Zemo Svaneti region, GEL 64.8 million was provided as loans. Effectiveness of this program was limited due to small funds, which was further aggravated by operational problems of companies because of the Russian-Georgian war and world financial crisis.

Industry

In Samegrelo - Zemo Svaneti region, industrial sector is weakly developed. In 2011, industry turnover in Samegrelo - Zemo Svaneti was GEL 289.7 million; output – GEL 286.1 million; number of people employed in the industry sector- 4,646; average monthly remuneration of the employees - GEL 283.4; and investments in fixed assets – GEL 14.9

million. It should be noted that 2011 was distinguished with very high growth rates. In particular, compared with 2010, turnover increased 2.1 times; production – 2.3 times; investments in fixed assets – 3.6 times; and growth of average monthly remuneration of the employees in production sector was 30%.

Value added in the production sector amounted to GEL 163.3 million, 3.3 times greater than in 2006. Negative growth rate was recorded only in 2008, caused by the outcomes of the war in August 2008. In 2007, 2009, 2010 and 2011, average growth rate was 14.3%.

Majority of the region's industrial enterprises are small and medium enterprises. Currently, the regions key products include processed hazelnuts and timber materials. In Zugdidi Municipality, the production profile includes hazelnut and tea processing; in Abasha – ice cream and confectionery; in Tsalenjikha – timber processing and tea production; in Martvili – tea processing and wine production; in Senaki – wine production; in Poti – production of cod liver oil, fish powder, meat and dairy products; in Chkhorotsku – hazelnut production; and in Mestia – timber processing. Lack of agricultural products processing enterprises should be regarded as one of the key problems in the region's production sector.

Given the region's assets and resources, production sector has great potential of development in the region provided that effective investment and infrastructure policies are implemented. Effective use of the assets and resources, efforts oriented towards stimulation of local and foreign investments, maximum promotion of quality and export-oriented goods production, systematic care about improvement of the local workers qualifications, improvement of credit availability, formation of alternative capital market and taking advantage of various endogenous and exogenous factors would play critical role in the development of production sector.

Other Sectors of Economy

Share of construction sector in the region's value added is very low at 4%. Year 2011 was distinguished with positive growth rate and value added in the sector. The year 2011 (GEL 32.3 millions) showed 27.7% growth, compared with the same figure for year 2010. In addition, in 2011, number of employed in the sector increased by 10.4%, compared with the previous year. In 2012, in Samegrelo - Zemo Svaneti region, 223 construction permits were issued for 91,571m². In addition, 93 buildings with 62,885m² total area were commissioned. Among construction companies operating in the region, four particularly notable companies are engaged in road construction and renovation, shore line stabilization and construction of bridges. Aggregate capacity of these companies is GEL 65 million, with 58 machinery units at their disposal. Technical equipment of the most construction companies substantially correspond to modern standards, scopes and needs of the works and infrastructure projects to be performed.

For a long time, poor condition in the transport and communication sectors significantly hindered development of business and economy. In the recent period, several infrastructure projects of great significance were implemented in the region.

One of two most significant ports of the country, Poti Port is the region's commercial center and plays a particular role in functioning as the Europe-Caucasus-Asia transport corridor (TRACECA). Due to Poti Port, the transport and telecommunication sector is at the second place with respect to the added value produced by the region. Currently, Poti

cargo turnover capacity is 10 million tons per year. Poti port has both road and railway communication. In Poti Port there are 15 specialized docks for transportation and loading of the oil products, railway wagons, food, fertilizers, metals, pipes and other cargoes, as well as passengers. Within the scopes of EU funded TRACECA project, the Port is a recipient of numerous small investment projects. In addition, Poti Port is a beneficiary of the EU funded project Caucasus Optical Cable, which provides operational safety and information system for the realization of railway potential to maximum possible extent. This project links the West with the East, Poti Port and Baku Port, and, to the south, via Tbilisi, Poti Port and Republic of Armenia. The Optical Cable Project serves both the railway operations and telecommunications. It should be noted that navigation route between Ilichevsk Port, Ukraine and Poti Port commenced its operation.

Samegrelo - Zemo Svaneti region is crossed by the railway sections of Tbilisi-Senaki-Poti, Tbilisi-Senaki-Zugdidi-Leselidze and Tbilisi-Senaki-Zugdidi-Jvari. Mestia Airport operates in Samegrelo - Zemo Svaneti region. The region's second, Ingiri Airport requires significant renovation. Construction of Poti Airport has been already launched.

Added value generated in transport and communication sector in 2011 was GEL 185.2 million, 30% greater than in 2010. Turnover and production growth was 7.1% and 8% or GEL 420.8 million and GEL 284.1 million, respectively. In 2011, 5,183 people were employed in the sector. Average monthly remuneration has been increasing during 2006-2011 period. In 2011, it was GEL 918.4, the highest among the other sectors of the region's economy and even exceeding the average figure for the country (GEL 866.8). Numerous large transportation companies operate in the region, providing services mostly to Poti Port. There are also small transport companies that provide passenger and cargo carriage, both, within the region and across the country.

Turnover of the entities engaged in trade, repairs of cars, domestic equipment and personal goods was GEL 439.7 million in 2010, 78.7% higher than in 2010. Production increased by 73.9%, amounting to GEL 76.7 million. In 2011, 4,600 people were employed in this sector, 78.5% higher than in the previous year. Most trade entities of the region are located in Poti and Zugdidi. Concentration of the trade entities is conditioned by high concentration of the population in Zugdidi Municipality. In addition, Zugdidi markets serve the populations of Tsalenjikha, Chkhorotsku and Khobi municipalities. In the recent years, the appearance of trade fairs and small markets improved significantly, as well as sanitary conditions and service quality. Trend of consolidation of these markets is apparent.

Agriculture

Agriculture is a significant sector of Samegrelo - Zemo Svaneti economy and its share in the added value generated in the region is 20%. In 2011, added value in agriculture was GEL 300.2 million, 16.5% higher than in 2010 and 37.6% higher than in 2006.

In addition, share of the region's agricultural sector in agricultural production of the country is 14.1%. Most part of the capable population is employed in this sector. Most of them are self-employed, working in their household farms. Agriculture sector lacks modernization and is mostly subsistence economy. It is mostly oriented not to the market and goods production but rather to meeting household needs for food. Hazelnut production is an exception as it is almost entirely intended for export. There is significant imbalance

between the number of employed and the output. The region is not rich with arable lands. In addition, because of the relief and other factors, it is distinguished with land fragmentation, significantly complicating consolidation of the farms.

Agricultural land resource: Samegrelo - Zemo Svaneti region is characterized with extremely irregular relief with great height differences and deep gorges (northern part of Samegrelo, Zemo Svaneti), and wide plains (southern part of the region between rivers Enguri and Tskhenistskali).

Due to versatility of the natural environment, its soils are quite diverse, represented with various types.

Area of the region's arable lands is 268,000 hectares. Majority of the rural households own parcels smaller than 1.25 hectare.

The region's location conditions need both amelioration and irrigation systems. In Abasha Municipality, the drainage lands area comprises 14,600 hectares, 14,000 hectares of which require rehabilitation. 1,900 hectares in Khobi Municipality and 4,500 hectares in Senaki Municipality require rehabilitation as well. In Tsalenjikha Municipality, area of lands requiring irrigation is 3,000 hectares.

One of the region's problems is unutilized lands, lands in the state ownership and abandoned, covered with shrubs and weeds. Aggregate unutilized land area is 14,800 hectares or 5.5% of total arable land. 5,000 hectares of these areas are degraded, mostly abandoned tea and tung plantations. Developing the state-owned and degraded lands has significant potential for increasing agricultural production.

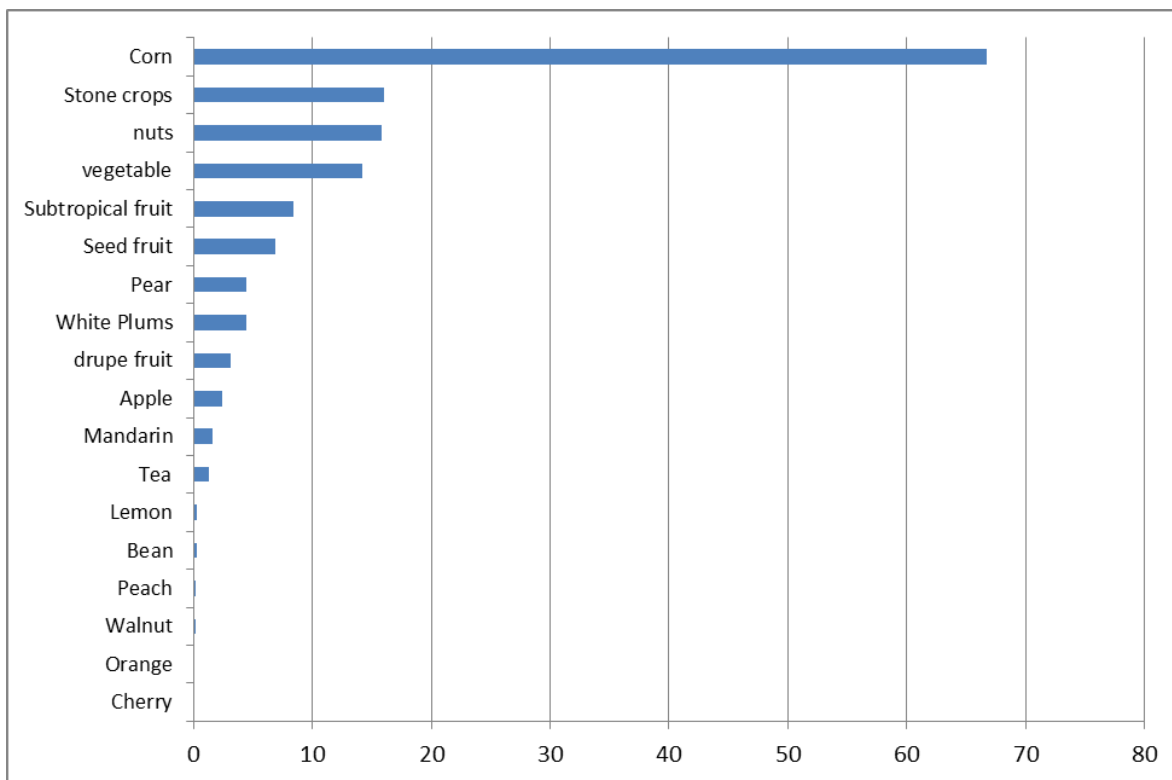
It should be noted that significant part of the agricultural lands of the region are not registered.

Plant growing: The region's climate and soil allow development of various branches of plant growing. In 2011, plant growing sector output was GEL 138.8 million, GEL 60.8 million of which was from hazelnut production and GEL 47.7 millions from maize production.

In 2011, in terms of area of cultivation cereals (69%) stood on top, followed by nuts- 15%; vineyards – 4%; subtropical crops – 4%; fruits and legumes – 2%; citrus and tea – 1%; and potatoes and vegetables- 1%.

Structure of agricultural products in the region was as follows:

Agricultural products (thousand tons, 2011)



Source: Geostat

With regard to planted areas, in 2011, hazelnut production covered 24,400 hectares. Fruit plantations covered an area of 12,300 hectare, 3,000 hectares greater than in 2009 and 500 hectares more than in 2010. Though the increase in fruit plantation areas is positive, the situation, with respect to productivity, is not satisfactory. In 2011, average hazelnut yield was 1.3 t/ha. Hazelnut production is very profitable for small farmers. Currently, in Samegrelo region there are about 700 small farmers who earn their incomes from hazelnut production. Most of these farmers have 1-2 hectare of hazelnut plantation areas. 85% of the hazelnut plantations in Georgia are located in Samegrelo.

In 2011, maize plantations covered 55,700hectares, which is less than in 2009 (60,800 hectares). The situation of yield is unsatisfactory. According to the data for 2011, average per hectare yield was 1.9 ton.

In 2011, area of citrus plantations was 2.5 times smaller than in 2009. As the citrus are perennial crops, this could be explained by amortization, aging of the orchards and lack of care. At the regional scale, productivity varies between 1.8-3.4 t/ha; this is quite a low figure and its potential could be significantly increased.

In 2011, plantations of subtropical crops (persimmon, feijoa, kiwi, and medlar) covered 3,100 hectares and in 2010 and 2009, 3,500 hectares and 2,500 hectares, respectively. Average yields, compared with 2009, increased 5 times, comprising 15.2 t/ha in 2011.

Tea plantation areas, in 2011, covered 400 hectares, 100 hectares less than in 2010. Average yield in 2011 was 4 t/ha, 1 t/ha greater than in 2010.

Average yields of the vegetable crops is unsatisfactory as well, comprising 9-10 t/ha. New technologies allow increasing vegetables productivity by several times.

Plant growing productivity in the region is very low. This results from low awareness of modern technologies, poor labor organization, obsolete and degenerated genetic materials, unavailability of funds, lack of service centers, degradation and amortization of arable lands, underdeveloped infrastructure, lack of processing facilities, etc. Yields of feijoa, persimmon, fruits and vines could be doubled in the region, while yields of the vegetable crops and potatoes could be increased by several times.

Thermal waters in Samegrelo - Zemo Svaneti region provide favorable conditions for the development of greenhouses and nursery farms. Greenhouse farms operating in Zugdidi, Senaki and Khobi municipalities successfully use thermal waters and this greatly decreases production costs. These farms mostly produce cucumbers and tomatoes. Though, other greenhouse farms in the region produce greens and flowers as well. Currently, there are 250 greenhouse farms in the region, with 23 hectares aggregate area and up to 500 tons of capacity. The region has significant potential to not only significantly expand production based on consumption of thermal waters but also fully substitute the imports in the region and even in the country. In Zugdidi and Khobi municipalities there are 12 nursery farms with a total area of 44.8 hectares. These farms produce saplings of fruit trees, citruses, palms, berries, vegetables and vegetable oil crops.

Livestock: In 2011, the region's value of livestock production was GEL 180.1 million, GEL 123.5 million of which was from meat and dairy products, and GEL 29.2 million from poultry products.

In 2011, there were 197,400 heads of cattle (output: 6,100 tons of meat and 93,200 tons of milk); 30,400 pigs (pork output at slaughtered weight was 2,200 tons); 1,016,200 birds (31 million eggs); 13,300 goats (output not recorded); and 109,100 beehives (1,100 tons of honey).

In 2011, compared with year 2010, number of cattle increased by 5,200 heads, and meat production by 1,600 tons; and milk production went up by 7,300 tons (it should be noted that number of cattle was at its peak at 204,200 in 2008). Similarly, in 2011, pork production increased by 200 tons, while number of poultry decreased by 67,200 and number of eggs by 10.8 million. Increase of beehives number was 8,400 in 2011.

With respect to productivity, the situation in livestock production is unsatisfactory, which is mostly caused by obsolete genetic materials, improper veterinary services, low awareness of technologies, and quantitative and qualitative scarcity of food. In 2010, a private company procured 64 heads of Holstein Friz cows, one of the world's best varieties, with milk yields 6 times higher than average milk yields in Georgia, from a Dutch export company. It should be noted that Lucerne hay is the best food for cattle.

Fishing: The region has significant resources for the development of fishing. Effective use of Black Sea, numerous rivers and lakes present in the region could make this sector a factor promoting the region's economy. In Poti, there are modernized fish processing factories with the ability to produce various fish products.

Agrarian production and logistics: 80% of the region's total agricultural products processing output is done by hazelnut processing enterprises. Hazelnut products are exported to European and Asian countries. The region provides small quantities of processed products of tea and grapes which are sold at both local markets and abroad. 8 hazelnut processing enterprises operate in Zugdidi, processing 40,000 tons of hazelnut per year. In Tsalenjikha, there are 5 enterprises engaged in hazelnut and tea processing, producing, in aggregate, 727 tons of products. In Martvili one enterprise is engaged in tea processing and produces 50 tons of tea annually.

The region has 10 refrigerator and 9 closed warehouses;. 8 refrigerating warehouses and 8 closed warehouses in Poti; one refrigerating warehouse in Zugdidi Municipality; and one refrigerating warehouse and one closed warehouse in Senaki Municipality.

Agricultural Products for Export and Investments

The key export products of Samegrelo - Zemo Svaneti region include: hazelnuts, wine, tea, persimmon and fish powder, which are exported to EU, CIS, Asian and American markets. Exports grow steadily, mostly due to growth in hazelnut export.

In the first quarter of year 2012, 7,200 tons of hazelnuts, with a total price of GEL 45.9 million, were exported, comprising 9% of the country's total exports. Key export markets for Georgian hazelnuts are: Italy (GEL 7.6 million), Germany (GEL 7.9 million), Azerbaijan (GEL 4.6 million), France (GEL 1.5 million), Belgium (GEL 3.8 million) and Ukraine (GEL 2.9 million).

The Italian confectioner company Ferrero is one of the largest investors in the region's agricultural sector. The company has acquired over 5,000hectares of agricultural lands and planted hazelnuts. Direct foreign investments into this enterprise amount to \$30 million. Other export goods include "Gurieli" brand of tea, packaged in Zugdidi, laurel leaves and vegetable oils.

New technologies, stimulation systems and mechanisms

The agricultural service center operating in Samegrelo - Zemo Svaneti region provides introduction to the latest innovations to certain extent. Currently, Zugdidi service center has 64 large and small tractors and 13 lorries; Khobi – 4 combines and 50 large and small tractors; Senaki – 119 large and small tractors and 1 combine; Mestia – 9 tractors; Martvili- 48 tractors; Chkhorotsku – 52 tractors; Tsalenjikha – 41 tractors; and Abasha – 77 large and small tractors. Existing fleet of the vehicles and tractors is not able to meet the demand of agricultural goods production and requires increase by several times. The region lacks small-scale machinery. In addition, the problem of financial affordability of the machinery is of significance as well. Population is often unable to procure high quality materials, which negatively impacts the yields.

It should be noted that various NGOs international organizations operate in the region, which implement various projects supporting agricultural sector.

Food safety: In the sphere of plants protection, quarantine measures are implemented within special state programs in the region. Biological and chemical measures against the most dangerous vermin, fall webworm, are funded. Periodically, phytosanitary monitoring of agricultural lands, diagnostics, forecasting of spread of harmful organisms and development of measures against them are implemented. Phytosanitary quarantine inspection of export goods is conducted with further issuance of a phytosanitary certificate. In the veterinary sector, measures are taken for prevention, treatment and eradication of particularly harmful diseases. Preventive vaccination against foot and mouth disease is provided; private veterinary activities are coordinated and supervised; and certificates are issued in accordance with the laws. Within the ongoing monitoring program, potable water and food products are purchased and studied. The present system of food safety is unable to fully meet the needs of the region.

Tourism

In recent years, high class hotels were constructed in Anaklia and Mestia. Currently, there are 3 modern hotels with up to 250 rooms in Anaklia, and construction of a fourth one has commenced. In the town of Mestia, there are 5 high class hotels with over 400 beds. Currently the town is able to host 600 guests. In Poti, there are 2 comfortable hotels. In addition to the large hotels, there are up to 100 family hotels. High class restaurants operate in the region (mostly in Zugdidi Municipality, as well as in Poti, Senaki and Tsalenjikha). Samegrelo - Zemo Svaneti region has high potential for the development of tourism as a significant economic sector. This is due to a set of factors such as the ancient culture of Colchis and Svaneti, unique cultural and historical monuments, museums, caves, places for horse-racing and picnics, humid Kolkheti Lowlands and its rare natural environment, geographical characteristics of the region, landscape mosaic and biological diversity, glaciers of Zemo Svaneti, Black Sea waters, and developed resort zones. All these provide unique conditions for the development of various types of tourism (motor, horse, walks and eco-tourism; marine navigation, river navigation, hunting, fishing, observation of birds, agri-tourism, learning tourism, pilgrimage, extreme tourism, etc.).

In the tourism context, Kolkheti National Park, located in the western part of Samegrelo, is a unique site with 28,571 hectares land area and 1,574 hectares marine area. In 1996, the Park was declared as a Ramsar Site, a status given to wetlands of international importance.

The center for visitors and other infrastructure at Kolkheti National Park (significant infrastructure is located in the protected territory: visitor's center, administrative buildings, shelters for the guards, center for observing birds, information boards, information booths, berths and entrances, tourist paths, etc.) were so designed that the materials and technologies used in the construction process were safe for the environment and visitors. The Park has good potential with respect to eco-tourism development. During the period of migration, numerous rare birds could be observed here. There are towers installed in the Park for birds watching. Tourists could be accommodated either in the visitors' center of the Park or in the hotels of Poti, Grigoleti and Anaklia. Walking routes run along the coastal dunes and lowland moors, though the best way to view the wetland areas is by

boats. Visit to Kolkheti National Park is even more interesting due to the archeological and cultural monuments in its vicinity: Archaeopolis, the ancient capital city of Lazika (with the inscriptions and frescos from 2nd – 9th centuries BC), Martvili Monastic Complex, Khobi Monastery, Tsaishi Church, Khobi Convent and Kortskheli Monastery.

Enguri water reservoir and middle and upper reaches of the river, as well as Martvili Caves and Tobavrchkhili Lakes, provide good opportunities for the development of activities related to eco-tourism, hunting, fishing, horse-riding and other activity based tourism types. There are perfect conditions for the development of boating and rafting on Enguri River.

In 1996, Zemo Svaneti was recognized as a place of world heritage. Zemo Svaneti is a world famous place of natural beauty. It has wonderful landscapes and this, together with the infrastructure developed in the recent years, attracts greater and greater numbers of tourists and visitors. In Zemo Svaneti, winter resort construction has commenced at Atsvali and Tetnaldi mountains, ensuring attraction of additional tourists to the region.

Innovations

Initiatives and processes oriented towards introducing innovations and new technologies are some of the most significant challenges for the sustainable development of the region and improvement of its competitiveness. At this stage, accurate evaluation of the innovations, development level of the region, its potential and needs is a very hard task because of the lack of relevant data, and suitable methods of processing the data. In Samegrelo - Zemo Svaneti region, any special institution responsible for the coordination of effective innovations and promotion of technological transfers and services is absent. For many years, the capacities and resources of the regional administration have been too limited to fund any type of innovation programs.

In the recent years, a number of projects intended for the extension of new technologies in agricultural sector were implemented in the region. An Indian company launched quite a large-scale project in a 7 hectare area in the FIZ. This project introduced green technology into the assembly of crushing equipment. It should be noted that two universities operate in Zugdidi, which provide professional and technological basis for providing expertise to certain innovative projects of small companies.

Investments and export

Direct foreign investments related statistics are not maintained in the region (with the exception of Poti Free Industrial Zone). Regional administration and self-government authorities have limited material, financial and human resources for the development of investment projects and attraction of foreign investments, thus significantly hindering stimulation of economic processes in the region. The region does not have a special investment center or any effective structure to provide mobilization of relevant human resources, development of specific investment projects, effective collaboration with the Investments Agency of Georgia, maintenance of statistical records, negotiations with potential investors, systematization and spreading of the region's information resources, making contacts between the foreign and local entrepreneurs, consultation with the investors on the region's economic potential, optimal legal forms for investments, opportunities of creation of joint ventures, real property and other issues, representation of

the region, arrangement of special business forums, presentations, marketing analysis and targeted trainings, representation of the region at international exhibitions, implementation of the activities required for the region's branding, etc. Among direct foreign investments in the recent years, Italian and Canadian investments into the hazelnut processing sector were already mentioned. A timber processing enterprise was built in Tsalenjikha Municipality through Chinese investments. After the creation of FIZ, direct investments into Poti Port and FUZ exceed \$200 million. According to the estimates of the FIZ management company and other entities, it is expected that offices of media, information technologies, business consultations and other services and business centers will be arranged in the Free Zone. In addition, continuation of the initial stage works for the development of the Zone remains on agenda. Negotiations with the companies registered in Georgia and abroad to ensure investments in the FIZ are in progress. Preliminary agreements were achieved with two companies, which are planning to commence operations in the FIZ, once licenses are issued to them.

IV. Infrastructure and Public Services

Appearance and spatial planning of the settlements

In most settlements of the region, general condition and appearance of buildings, structures, yards, streets, sidewalks, squares, gardens, and parks are unsatisfactory. In the recent years, significant attention was paid to the improvement of the appearances of municipal centers and street lighting works.

Spatial and territorial planning does not take place at any regional or municipal level.

Total length of the region's roads (including internal roads) is 5,800 km. 414.3 km of local roads are covered with asphalt; ground roads-32.6 km; and 4,100 km are covered with gravel. The 116.1 km long Tbilisi-Senaki-Leselidze road of international significance crosses the territory of Samegrelo-Zemo Svaneti region. In 2011-2012, GEL 320 million was invested by the state into the construction and renovation of roads. And still most roads do not comply with the relevant standards and require further works. In 2013, implementation of infrastructure projects for over GEL 150 million were planned. Most of these projects involve renovation of roads (including city and village) and bridges.

Utility Services

99.92% of the households of the region are provided with electricity. Power supply is uninterrupted, though there are some problems related to the safety of high voltage lines.

Gas supply is fully provided in the cities of Zugdidi, Poti, Martvili, Abasha, Senaki, khobi and in some villages.

Central water supply is provided to the apartments of 17.8% of the households and to the yards and blocks of 9.8% of households. 69.3% of the households depend upon artesian wells and 3% depend on natural springs. For the most part of population, high quality potable water is unavailable. In the Samegrelo section of Rioni River basin, the systems of central water supply are located in all municipal centers (Poti, Martvili, Senaki and Abasha). Water supply is provided by the service centers of United Water Company of Georgia. Quality of supplied water corresponds to the standards.

Sewage systems of the region are in very poor condition and hence, untreated domestic wastewaters as well as poorly treated wastewaters from the operating enterprises and medical facilities are discharged into the rivers of the region and further into the Black Sea. This situation is very alarming and is a significant problem for the region, its population, environmental safety, and socio-economic development. Currently renovation of water supply and water disposal network, construction of the municipal sewage systems and their water treatment facilities along Black Sea coastal zone (Poti, Zugdidi, Anaklia and the mountainous territory of Mestia) of the region are completed. Water treatment facilities are under construction in Poti. These measures will significantly reduce the degree of Black Sea pollution and increase the opportunities for the use of Black Sea shore for recreation purposes.

Relevant municipal services regularly dispose of the domestic wastes from Poti, municipal centers and some villages. The population of the villages disposes domestic wastes in the nearest ravines, roadsides and river banks, thus creating small uncontrolled “landfills”.

Cleaning enterprises that operate within the self-governing units provide services to the cities, towns and some villages.

Waste management

Each self-governing unit of the region (with the exception of Mestia) operates one landfill; however, environmental permit is issued for the landfill located in Khobi Municipality only. Aggregate area of 8 landfills of the region is 43.4 hectares and quantity of wastes generated per year is over 139,500 m³. Sorting and separation of the wastes does not take place in the region. In addition, organic wastes composting is not practiced. In total, there are 30 enterprises with relevant environmental permits in the region, 4 of which have permit for economic activities related to wastes processing, neutralization, destruction and disposal. There is no designated landfill for the industrial wastes in the region and wastes of the operating enterprises are stocked within the enterprises' territories or disposed in the sanitary landfills. No inventory of industrial wastes quantities was conducted. Hence, it is hard to assess their toxicity. There is no official information about the existence and condition of the operating and abandoned warehouses of agricultural wastes and pesticides in the region. Disposal of the wastes from the region's medical and prevention facilities is provided by the organization with a relevant permit, though safe management of the entire quantity of medical wastes generated in the region is not ensured. Currently construction of the new regional sanitary landfill in Samegrelo - Zemo Svaneti region is under consideration. Implementation of this project would significantly contribute to dealing with the environmental issues related to waste management.

Fire emergency – rescue services

Emergency Situation Management Service operates within the administration of the State Representative, the Governor, with 2 special emergency vehicles at its disposal. All municipalities have fire emergency-rescue services. Zugdidi Municipality Emergency

Service with its state-of-art equipment is distinguished among them. In the other self-governing units, qualification of the personnel and material and technical equipment of the fire emergency rescue services do not comply with the international standards.

Telecommunications

The region's territory is covered with cell phone communication networks. Internet network operates in the region via mobile networks (modems) and satellite dishes. High quality and cheap internet communication is available in Zugdidi, Poti and Senaki only. Service centers of Georgian Post operate in all self-governing units.

V. Environment Protection

Quality of air and water

In Samegrelo - Zemo Svaneti region, air quality is negatively impacted by the 87 stationary entities operating in the region. Key sources of pollution in the region are as follows: sea terminal (49.67%); docks (17.18%), and asphalt producing enterprises (19.44%). Their share in total emissions of the region is 86.3%. According to the statistical data on emission of harmful substances into the atmosphere, emissions increased in 2012, compared with the previous years (increase of emissions of volatile organic substances was 88%; sulfur oxide – 18%; nitrogen oxides – 15%; and CO – 14%). Causes for pollution growth include growth of emissions from the operating enterprises and Poti Port (particularly, from loading of oil and oil products). The region is not included in the air pollution monitoring network and hence air quality is not monitored regularly.

Negative impact on the surface water bodies is caused not only by the above-mentioned sources of pollution (operating enterprises), but also other sources like flood and wastewaters from the settlements, open quarries, wastewaters from agricultural lands and formal or spontaneous landfills.

Pollution of the environment with the wastes and chemical substances, similar to other regions of Georgia, is one of the most significant environmental problems in Samegrelo - Zemo Svaneti region.

It should be noted that in the recent years in Samegrelo, fall webworms greatly affected the agriculture sector and toxic pesticides are widely used for their elimination, which in turn negatively impact the quality of surface water bodies adjacent to the agricultural lands.

Surface water resources in the region, Rioni River and Paliastomi lake, are included into the hydro-meteorological monitoring network and water quality is monitored with certain frequency. According to monitoring data for the period 2005-12, BOD₅ is within normal limits for all monitoring points. Concentrations of nitrite ion and ammonium exceed maximum admissible values by 2-3 times. Sources of these pollutants, supposedly, are utility and industrial wastewaters and wastewaters from agricultural lands. This is a concerning situation as through the rivers the pollutants are transported into the sea and hence undermine the sea water quality.

Within the region, all vulnerable ecosystems of Rioni River basin are located at the river mouth and coastal zone. The moors, sphagnum marshes, dunes and pine forests, as well as Paliastomi Lake are protected by Ramsar International Convention. The artificially built channel (in 1924) has significantly changed the hydrobiology of Paliastomi Lake, causing reduction of biomass of the pure water plankton 15 times and of benthos by 6 times. While 27 of 36 species of fish were recorded in the lake in 1984, currently only 16 species are left. Regarding significance of the above-mentioned water bodies, their study and assessment using hydrological, hydro-chemical and hydro-biological methods is the goal of numerous international projects.

It should be noted that large industrial entities like Baku-Tbilisi-Ceihan oil pipeline, western export pipeline (Baku-Supsa) and Engurhesi operate in the region. Given their size, these entities pose high risks for both the regional population and ecosystem. Thus, an emergency response plan to deal with these risks is required.

Forest Protection

Condition of the forests in the region is unsatisfactory. Simultaneous to timber production, measures for forest maintenance and restoration should be implemented. Naturally caused and anthropogenic forest fires could be regarded as risk factors and as key reason for forest degradation. Sanitary condition of the region's forests is unsatisfactory. According to the data of recent years, harmful pests fall webworms were noticed. In the recent years, mass damage of buxus plantations was recorded.

Forests of Samegrelo - Zemo Svaneti region are distinguished with high rate of self-restoration. Natural renovation is apparent both in coniferous and deciduous forests. Implementation of restoration activities is obligatory for the special licenses holders for timber production. With the inclusion of licensees and authorities into the restoration measures, forests management, and sustainable forest use, environmental balance in the region's forests could be maintained.

Management of the natural disasters

Georgian Black Sea coastal zone is subject to the impact of various geophysical processes. Some of them become more extensive as a result of climate changes. Within the region, Rioni River delta and the coastal zone are the most vulnerable systems in Georgia, with respect of climate changes. In the above-mentioned territory, floods are caused by natural or anthropogenic reasons, eustasies, storm floods and sedimentations and climate changes.

It should be noted that in the delta of Rioni River, 1.5-2.0 m below the river surface, one of the most significant seaports of Georgia, city of Poti with its outskirts and port, is located. Eustasy is most prominent in this area and the coastal zone drowns at the highest rate ($h=0.56$ per century). As a result, the water level increased after 1925 by 0.7 m. After 1920, as a result of storms and anthropogenic interventions (construction of dams), the sea has covered 3.5 km wide strip of the sea shore, most part of which was occupied by the hippodrome, housings and agricultural lands. At the time of spring floods, when the sea level increases by 0.2-0.25 m and carrying capacity of Rioni River bed decreases significantly, Poti is exposed to significant danger. According to statistical data, in 1987 and 1997, floods had caused losses worth \$13 million, as well as deaths. On average, storm floods in this section increased by 60% and this is the highest figure for the Georgian section of Black Sea coastal zone. Factual analysis established that floods are expected 5 times per century, which were not dangerous before 1930. They currently have become catastrophic and grow proportionally to the increase in eustasy. In the nearest future (2030-2050), in case of increase in the frequency of storms and increase in the relative eustasy by 0.2-0.3 m, the storm floods will cause catastrophic damages.

Geological structure and climatic characteristics of the region, in particular, precipitation and their seasonal distribution contribute to the activation of the geodynamic processes such as landslides, mudflows and seasonal erosion processes related to the high water in the rivers. It was established that 96 settlements of the region are exposed to the risk of dangerous geological processes and damage ratio (ratio of the damaged settlements to undamaged ones) is 0.2.

Regarding all the above-mentioned, effective preventive measures are required, like bank stabilization works, forestation of slopes, filling of the cracks, cleaning of river beds, etc. Integration of climate change issues into the development plans of various sectors is of great significance.

Environmental activities and cooperation

Though the region is adjacent to the trans-border water body of international significance, Black Sea, the regional administration, self-governing units and the population of region are not involved in the environmental activities dealing with Black Sea. Planning and implementation of the environmental programs and projects by international organizations, funds and donor countries, traditionally took place with the recommendations and coordination by the central government only. At the regional and municipal levels, environmental activities were not actually designed. Environmental activities in Samegrelo - Zemo Svaneti region mostly deal with the management of the water resources (Rioni River), protected territories (Kolkheti National Park) and territories vulnerable to climate changes (Black Sea coastal zone).

Improvement of public awareness in climate change issues was not provided for as well. Active involvement of the region in trans-border measures for water resources management would undoubtedly contribute to effective environment protection in the region. It should be noted that for the implementation of projects and programs for the adaptation of social, economic and environmental systems to negative impact of climate changes, Georgia has the opportunity of receiving wide-scale financial and technological assistance from the international donor organizations. Making the best use of this opportunity and development of relevant projects is of great significance for the region.

Conservation of biodiversity in the protected areas

Sections of the protected territory of international significance, Kolkheti National Park, comprise the parts of two historical regions, Samegrelo and Guria. Kolkheti National Park (total area: 44,599.8 hectares) includes eastern coastal zone of Black Sea and basin of Paliastomi Lake. The Park is created for the purpose of protection and saving of Kolkheti wetland ecosystem of international significance. 67% of the Park's area is located in the territory of Samegrelo - Zemo Svaneti region. Kolkheti marshes are very significant for their relict origin. Phytocenosis complexes rich with the relict and endemic varieties were maintained up to present. Two species – sea poppy and *Pancreatum maritimum* – are included in the red book as endangered species. It should be noted that there are 194 species of birds in the Park territory. The Park is crossed by the annual migration routes of numerous birds and hence it is possible to observe many rare birds.

Katsobuti Reserve was established in the region in 1996, with a total area of 295 hectares. The territory of the Reserve is mostly plain, with no more than 40 m altitude above the sea level. The extremely changed remains of the Kolkhetian forests are maintained in this Reserve. Among several species of birds that live in this Reserve, population of Kolkhetian pheasants should be noted.

Zemo Svaneti protected area was included into the protected territories of Central Caucasus Plan. The protected territory is represented with Zemo Svaneti National Park. It covers the territory of Mestia Municipality and is located within 600-2500 m above sea level. Among the flora of Zemo Svaneti National Park, 212 species are endemic to the Caucasus; Georgian endemic species-52; and 9 species are endemic to Svaneti. Some birds are included in the Red List of Georgia. Adishi Glacier, and “Perkhulis Kva”, one of the largest old glacier boulders, which are distinguished for their geo-morphological and glacial characteristics are located in the Svaneti National Park.

VI. Government

Regional administration and local self-government

Regional administration and local self governments enjoy limited authorities, financial and property resources. Hence, their capacities to develop the region are very limited. In addition, systematic improvement of qualification of the regional administration and local self-government is required, particularly in spheres such as strategic planning, spatial and territorial planning, public services delivery, etc. Condition of the administrative infrastructure of regional administration and municipalities is unsatisfactory. Any service centers that are responsible for providing administrative services to the population do not operate in the settlements.

Due to the low rate of fiscal decentralization in the country, Samegrelo-Zemo Svaneti municipalities have very limited budget resources. In early 2013, their budget revenues amounted to GEL 63.5 million. Local budget deficits are covered with the equalization transfers of about GEL 35.4 millions from the central government. Only Khobi Municipality does not receive equalization transfer. Significant part of the local projects is funded with special transfers from the central budget.

VII. Factor Analysis of the Region (SWOT)

Factor Analysis of the Region	
Strengths	Weaknesses
<p>Location of the region in the zone of transport corridors</p> <p>Existence of Poti and Kulevi ports, Poti Free Industrial Zone and relatively well developed transport infrastructure</p> <p>High rate of urbanization of the region</p> <p>Existence of the energy basic and strategic energy entities in the region</p> <p>High energy and recreation potential of water resources</p> <p>High tourist potential of the region: attractive nature, sea resorts, and Svaneti cultural heritage</p> <p>Favorable natural and climatic conditions for production of different agriculture goods</p> <p>High level of development of agricultural production and high rate of agricultural exports</p>	<p>Region's location at the conflict zone border</p> <p>Remote location from the country capital</p> <p>Location of significant parts of the region in high mountains</p> <p>High rates of actual unemployment and poverty of the population and absence of effective social assistance system</p> <p>Limited availability of health care and medicines for most of the population</p> <p>Weakly developed social services and social infrastructure in the region</p> <p>Socioeconomic problems related to great number of IDPs in the region</p> <p>Weak civic sector</p> <p>Gender imbalance in public and private sectors</p> <p>Unsatisfactory level of production sector development</p> <p>Underdeveloped commercial and basic infrastructure</p> <p>High price of commercial credits and absence of alternative sources</p> <p>Low level of professional education and qualifications of workers</p> <p>Inadequate level of agriculture modernization</p> <p>Absence of effective system for natural disasters management</p> <p>Limited authorities of the regional administration and municipalities, scarce revenues and property resources</p>
Opportunities	Threats
<p>High dynamics of financial and economic development</p> <p>Attraction of bank credits and capital from alternative markets</p> <p>Opening of new distribution markets for the goods produced in the region</p> <p>Attraction of investors interest in Anaklia Port construction, production and transit, energy and tourist potential, and Free Industrial Zone</p> <p>Growth of exports from the region based on the increased demand for the environmentally pure products at international markets</p>	<p>Destabilization of political situation</p> <p>Financial and economic crisis</p> <p>Natural disasters, industrial emergencies and epidemics</p>
Sector factor analysis (SWOT)	
Social development, social infrastructure and public services	
Strengths	Weaknesses
<p>High rate of region's urbanization</p> <p>Existence of hospitals complying with modern standards in</p>	<p>Negative dynamics of actual migration of population from the region</p>

<p>all self-governing units</p> <p>Availability of services of family doctor to all communities</p> <p>Existence of emergency medical service crews in all self-governing units</p> <p>Existence of roads and railway of international significance</p> <p>Satisfactory condition of significant part of the roads</p> <p>Existence of street lighting in most settlements</p> <p>Power supply to the entire population</p> <p>Full coverage of the region with mobile communication network</p> <p>Existence of fire emergency rescue teams in the municipalities</p> <p>Satisfactory level of regional media development</p>	<p>Negative dynamics in natural growth of the population, aging of the population</p> <p>Social problems related to great number of IDPs in the region</p> <p>High rate of actual unemployment, scarce employment opportunities for the population</p> <p>High poverty rate</p> <p>Scarce incomes of the population and small quantities of savings</p> <p>Absence of an effective system of social security</p> <p>Lack of social homes</p> <p>Inadequate qualification of the medical staff</p> <p>Poor equipment of the emergency crews</p> <p>Limited financial affordability of proper medical services and medicines for most of the population</p> <p>Unsatisfactory infrastructure of schools and pre-school education facilities</p> <p>Inadequate qualification of the teachers of public schools and pre-school education institutions</p> <p>Lack of effective vocational education institutions</p> <p>Insufficient numbers of culture centers, parks, libraries, music and art schools, studios, galleries, museums, theatres, sports schools/clubs and swimming pools and unsatisfactory condition of the relevant infrastructure</p> <p>Insufficient development of the service sector</p> <p>Unsatisfactory appearances of the most settlements</p> <p>Absence of street lighting in most settlements</p> <p>Unsatisfactory condition of most of the local roads</p> <p>Unsatisfactory condition of the railway infrastructure</p> <p>Unsatisfactory condition of the public transport infrastructure</p> <p>Lack of potable water supply to part of population</p> <p>Unavailability of natural gas supply for a significant part of population</p> <p>Poor condition/absence of the sewage systems in municipal centers and absence of sewage systems in the villages</p> <p>Absence of wastes disposal services in most villages</p> <p>Presence of “uncontrolled” landfills in the region</p> <p>Absence of street cleaning services in most villages</p> <p>Lack of high quality and cheap internet in most parts of the region</p> <p>Unsatisfactory equipment of most of the fire emergency rescue services</p> <p>Underdevelopment of civic sector</p> <p>Gender imbalance in public and private sectors</p>
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Opportunities	Threats
High dynamics of economic growth	Natural disasters Industrial accidents Epidemics
Economics	
Strengths	Weaknesses
<p>Favorable geopolitical and geo-economic location of the region; Black Sea coast and related strategic transport routes and transit function; Poti Port – gate to the transport corridor to Europe, Caucasus and Central Asia, as well as the link between western and eastern Georgia;</p> <p>Existence of Kulevi and Poti ports, Free Industrial Zone and relatively developed transport infrastructure</p> <p>Significant undeveloped reserves of various minerals; significant resource potential required for the construction industry</p> <p>Significant energy capacities and renewable energy sources; water and wind resources, biomass, solar energy, thermal waters; existence of strategic energy entities in the region, high energy and recreation potential of water resources; great resources of thermal and pure waters</p> <p>Abundance of forest resources in the region</p> <p>Transport communications are well developed, compared with other regions</p> <p>Relatively high rate of economy diversification</p> <p>Production experience, industry, processing industry, food production, timber production and processing, and traditional crafts</p> <p>Great number of small and medium businesses</p> <p>Dynamically developing banking sector and micro-credit organizations</p> <p>Favorable environment for business and investments; presence of attractive opportunities, including privatization</p> <p>Existence of secondary and higher education institutions, education and scientific traditions</p> <p>Cheap labor and relatively qualified workers in the large cities of the region</p> <p>Potential for development of various types of tourism; historical and cultural monuments of national and international significance; unique beautiful sights (Zemo Svaneti and extreme high mountains, Kolkheti National Park); recreation resources; places for horse racing and picnics; caves; versatile climatic conditions; newly built resort infrastructure in Anaklia and renovated Mestia</p>	<p>Location adjacent to conflict zone</p> <p>Loss of traditional markets and economic links and difficulties of entry into new markets</p> <p>Scarce incomes of the population and local budgets, low level of local private savings and investments</p> <p>Weak commercial and basic infrastructure in most parts of the region</p> <p>Poor use of local natural resources</p> <p>Underdevelopment of production sector, weakly developed construction, trade and service sectors</p> <p>Insufficiency of direct foreign investments and lack of effective mechanisms for their attraction</p> <p>Expensive bank credits and limited opportunities of alternative capital</p> <p>Absence of micro-financing and credit institutions in the remote villages</p> <p>Poor availability of credits for new businesses</p> <p>Excessive imports of cheap products; weak support to the export oriented sectors and local businesses; weak promotion and marketing of local products</p> <p>High unemployment rates, slow growth of employment, high concentration of socially vulnerable population</p> <p>Outflow of highly qualified professionals</p> <p>At the regional scale, low level of social capital; inadequate qualifications of the labor resources and underdeveloped system for their training and re-training</p> <p>Low innovation level in the region, obsolete production technology and low intensity of use of new technologies; low awareness of population about advanced technologies</p> <p>Lack of special institutions and organizations supporting business and technology development</p> <p>Limited availability of systemic information about local business potential and supply basis</p> <p>Insufficient knowledge in management of tourism industrial zones and tourism as a business; lack of systemic approach to attraction of foreign tourists (absence of well grounded strategies for entry into the target market); insufficient recognition and popularization of the region's tourist potential;</p>

	<p>and mostly unsatisfactory level of the tourism infrastructure, relevant services and staff</p> <p>Obsolete transport system</p>
Opportunities	Threats
<p>Construction/development of Anaklia and Kulevi sea ports</p> <p>Improvement of the region's attractiveness; increasing interest of the investors towards a number of promising areas, including construction of Anaklia Sea Port, development of transit logistic and tourist hubs of regional significance; water, forest resources and minerals of the region</p> <p>Gaining of new markets for Georgian products; completion of negotiations on free trade with strategic partners, EU and USA</p> <p>Expansion of opportunities in credit financing market; increased availability of bank credits and alternative capital markets; decrease of interest rates due to increased competition between the banks</p> <p>Growth of demand for the products of timber processing and natural facing materials in internal and external markets</p> <p>Growth of demand for environmentally pure products in international, regional and local markets</p> <p>Development of food industry in the country</p> <p>Growth of tourist flows in the region</p> <p>Growth of demand for eco-tourism</p> <p>High pace of privatization in the region and the country in general</p> <p>Matching of the capabilities and interests of the region's enterprises with the requirements and needs of large-scale international projects in the same location</p> <p>Initiation of special programs to support small and medium businesses; support to new techniques and technologies; and incentives to address re-training of human resources and personnel</p> <p>Cooperation with international donor organizations and sharing of their experience</p> <p>Targeted programs funded from the central budget; effective activities of the emerging co-investors, independent and venture funds, agricultural and regional development funds; successful and purposeful spending and use of funding of the projects significant for the region</p> <p>Foreign / donor capital invested into commercialization of natural, cultural and historical characteristics</p> <p>Effective development of abandoned buildings and territories</p> <p>Simplified visa procedures with EU and neighboring countries</p>	<p>Natural disasters</p> <p>Unstable political situation in the region and country</p> <p>Global financial and economic crisis and its negative impact, including on tourist business, cargo transportation, service sector and construction industry, as well as price of credit resources and bad debts</p> <p>Increasing competition in the processing industry at the regional and global markets</p> <p>Weak implementation of regional and municipal development plans; zero or weak monitoring and evaluation mechanisms</p>

Agriculture	
Strengths	Weaknesses
<p>Positive dynamics of growth of added value generated in agriculture</p> <p>High agricultural potential of the region's soils</p> <p>Favorable natural and climatic conditions for agriculture development and production of different goods</p> <p>Tradition of agricultural production</p> <p>Abundance of irrigation water resources</p> <p>Presence of thermal water resources in the region</p> <p>Relatively high rate of agrarian production development</p> <p>Presence of mechanization centers in the region</p> <p>Healthy environment and ecologically pure products</p>	<p>Low level of modernization in agriculture</p> <p>Low productivity of agricultural sector, imbalance between the number of employed and output</p> <p>Lack of arable land in the region and fragmentation of land parcels</p> <p>Poor operation of drainage infrastructure</p> <p>Lack of agriculture support organizations</p> <p>Low level of food safety</p> <p>Underdevelopment of services, extension centers and logistics</p> <p>Insufficiency of machinery and inventory at the mechanization centers</p> <p>Poor competitiveness of the products against imports</p>
Opportunities	Threats
<p>Development and expansion of trade relations with the neighboring countries and export of agricultural goods</p> <p>Increased availability of favorable agri-credits</p> <p>Increased insurance availability in agriculture sector</p>	<p>Natural cataclysms</p> <p>Spread of epizootic and plants diseases outbreaks</p> <p>Dumping of imported products over agricultural products</p> <p>Low quality agricultural materials</p>
Environment protection	
Strengths	Weaknesses
<p>Wide biodiversity in the region</p>	<p>Absence/poor condition of sewage and waste water discharge systems and absence of waste water treatment facilities</p> <p>Problem of environment pollution with the wastes and chemical substances in the region</p> <p>Absence of integrated wastes management system</p> <p>Absence of wastes treatment and composting practices</p> <p>Absence of an effective system for the management of natural disasters, absence of a plan of preventive measures against spontaneous geological processes, plans for adaptation of the territories vulnerable to climate changes and mitigation measures</p> <p>Absence of adequate resources for the prevention and eradication of forest fires</p> <p>Unsatisfactory sanitary condition of the forests</p> <p>lack of awareness of local businesses and citizens about the harmful outcomes for environment from pollution by them</p> <p>Lack of trans-border (Black Sea) and inter-territorial (Kolkheti protected territories) collaboration</p>

Public government	
Strengths	Weaknesses
Existence of elected local self-government authorities	Limited authorities of regional administration and municipalities Scarce budget revenues and property resources of regional administration and municipalities unsatisfactory condition of the administrative infrastructure of regional administration and municipalities Inadequate qualification of regional administration and municipalities in certain areas
Opportunities	Threats
Increase of financial and economic capacities of the public government	Financial and economic crisis

VII. Region Development Vision, Strategic Goals, Objectives and Proposals

Strategic visions, priorities and proposals for future development of Samegrelo - Zemo Svaneti region are based on the thorough analysis of the region and its sectoral development, relevant situation and factual assessments prepared in the process of development of this document, on the basis of relevant methodologies and involvement.

In formulation of the region's development vision, a number of key issues were identified to develop an integrated vision and application of efforts in relevant directions, in particular:

- Well developed technical and social infrastructure;
- Growing transport and telecommunications sector, international cargo transportation and commercial cargo turnover;
- Arrangement of modern transit-logistic system;
- Attractive investment environment;

- Taking advantage of the opportunities provided by Free Industrial Zone at maximal possible extent;
- Reasonable management and use of the region's material assets and natural resources;
- Stimulation of the region's production potential;
- Development of small and medium business;
- Development of agriculture, processing industry and export-oriented entrepreneurship;
- Development of tourism industry in all aspects;
- Systematic introduction of technological innovations and improvement of labor productivity;
- Well-developed education system with competitive human resources and high employment rate;
- Infrastructure for uninterrupted re-training of labor resources;
- Effective government, strong civic sector and mass media.

8-year vision of the region's development is based on the above.

“By 2021, Samegrelo-Zemo Svaneti will become one of the most rapidly growing regions in Georgia, with its stable economy and social welfare. The region will be characterized with strong transport and communications sector, dynamically developing production sector, tourism and agriculture, processing and small business spheres, innovation-oriented business and research processes, attractive investment climate and well developed infrastructure that would significantly increase the region's incomes, existing production capacities and entry into the new markets, as the precondition for significant improvement of the life standards and long-term welfare of the population”.

This strategy should promote implementation of the given vision. Respectively, common goal for the region's development strategy is:

Improvement of the region's competitiveness and population's life standards – through strengthening of the promising sectors and attraction of the direct investments, reasonable management and use of the region's material assets and natural resources, continuous development of labor resources and technological innovations, entry into the new markets and ensuring sustainable economic growth.

Common goal of Samegrelo – Zemo Svaneti development strategy corresponds to the goals of state strategy of regional development for 2010-2017 period, as well as basic data and directions of the government of Georgia for 2010-2013, intended for sustainable economic growth and promotion of new jobs creation. It responds to the medium-term objective of reducing poverty by 20-25%, in line with millennium development goals, objectives and terms.

Below are stated the strategic goals, objectives and proposals regarded as the priorities for the following eight-year period.

Goal 1: Public government capacity building

- Gradual expansion of self-government authorities and resource capacities
- Improvement of administrative infrastructure of the regional administration and municipalities
- Development of the territorial development plan for Samegrelo - Zemo Svaneti region; preparation of systematically formulated documents for urban planning and territorial arrangement for the municipalities of the region; ensuring proper involvement of the local self-governments and targeted support from the donor organizations
- Promotion of establishing modern type service centers in the villages and towns to provide public services to the population, contribute to the population's involvement into the process of decision-making by municipalities and play the role of cultural center of the settlement
- Systematic improvement of qualifications of human resources at regional administration and municipalities
- Introduction of an effective system for the monitoring of implementation of the regional development strategy and action program
- Introduction of an effective system for maintenance of regional and municipal statistics

Goal 2: Improvement of basic infrastructure

- Renovation of the sections of region's road infrastructure, not renovated earlier, and prioritized roads (internal state and local roads, including village access roads); proper coordination of the relevant activities of central government and municipalities for the renovation of the roads within their competence
- Maintenance of the renovated local motor ways in operable condition
- Completion of asphalt covering of the streets in municipal centers
- Putting the region's information infrastructure into order; installation of street names and numbers on the roads; installation of transport schedule boards at transport stations of the municipalities
- Within the scope of technical and economical feasibility, completion of gasification works at the regional level
- Expansion of Internet network in all municipalities of the region and access to population ; promotion of establishing of internet cafes
- Development of urban infrastructure; improvement of infrastructure aspects of municipal centers and formation of an effective system for the regulation of architecture and construction sector

Goal 3: Effective management and use of the natural resources and material assets

- Updating the information base of the region's natural resources, minerals, their reserves, as well as other economic assets (land and property), their registration, systematization and estimation of indicative market value
- Promotion of extraction and processing of mineral rocks and clays, deposits of materials required for production of construction materials and facing stones (including Lugela diabase; Jorekvali diabase; Kharkha diabase; Mestia travertine; Chuberi and Balda limestone; and Dizi, Letsave, Mukhuri and Eki deposits) ; development of the relevant raw materials basis; and study of the stocks of Zhabeshi granite and Jvari diorite deposits
- Evaluation of the economic potential of gem stones production and resource deposits
- Study of barite deposits in the region and estimation of its potential for the local economy

- Given the abundant forest resources in the region and relevant environmental component, promotion of their reasonable use for the development of the timber processing enterprises
- Development and implementation of effective plan for the planting of strictly selected rapidly growing varieties in the identified priority sections
- Given the pure and healing ground water resources of the region, promotion, development and expansion of non-alcoholic beverages and mineral waters (Lugela, Skuri and Lebarde) production
- For the purpose of reasonable use of the region's resources and protection of the natural heritage, introduction and promotion of state-of-art technologies and modern management practices

Goal 4: Development of production and energy sectors

Objective 4.1. Programs and infrastructure assistance to FIZ capacity building

- Support to intensification of the works required for attracting investors to Poti Free Industrial Zone and other activities
- Support to private and public activities intended for the diversification of investment projects (high technologies, biotechnologies, production of building materials, engineering, steel, light industry, etc.)
- Support to implementation of projects oriented towards the construction of financial, business and media centers in the Industrial Zone and establishing IT, business consultations and other service offices
- Support to continuation of the works of basic stage of Industrial Zone development, including further study of soils, topological works, cleaning and fencing of the territory, etc.
- Support to improvement of technical infrastructure in the project zone (providing a main and access roads network to land parcels intended for industrial purposes; streets lighting; ensuring uninterrupted supply of water and electricity; installing firefighting safety mechanisms, sewage, wastewaters and telecommunication systems; and providing irrigation network to the green zone)
- Support to further modification of the container terminal
- Development of the economic cooperation network in industrial zone; support to partnership relations between acting and potential investors on one side and local industrial and supply basis on the other side

Objective 4.2. Systemic support to the region's production sector

- Support to development of timber production, establishment of timber processing enterprises and attraction of relevant investments in the region
- Given the region's resource potential, promotion of building materials (bricks, blocks, facing plates, tiles, calcite, chalk powder, etc.) production; support to use of the locally produced construction materials by infrastructure projects
- Support to development of canning industry and expansion of the markets
- Initiation of inter-regional economic collaboration projects
- Identification and development of economic cooperation with sister cities and regions
- Initiation of private-public cooperation schemes and their use for the implementation of targeted projects
- Maintenance of reliable statistics on the products (by types) manufactured in the region Development of the region's production potential inventory database and its periodical updating
- Full-capacity study of the labor market at the regional and local levels and formation of the relevant information base
- Study and identification of the opportunities for development of industrial and other clusters in the region; preparation of the relevant projects and targeted communication
- Strengthening of partnership relations with the chambers of commerce and business groups
- Support to the arrangement of business exhibitions, forums and round tables
- Conducting common marketing activities for the best food products of Samegrelo-Zemo Svaneti

Objective 4.3. Support to sustainable development of the energy sector

- Taking advantage of the favorable natural conditions of the region for the development of a powerful energy basis
- Regarding geodynamic potential and high danger in the region, support to operation of the new HPPs: Khudon HPP; Khobi 1; Khobi 2; Magana HPP; Iekarde HPP; Nakra HPP; Khrumberi HPP; Kasleti HPP; and Darchormeleti HPP as well as construction of the new HPPs
- Support to the effective use of solar energy, biomass and thermal water resources potential
- Preparation of investment proposals dealing with hydropower and renewable energy sources (potential reserves of solar, wind and geothermal water energy) based on the relevant researches and their targeted communication
- Development of the regional and municipal plans for the use of renewable energies
- Promotion of wind energy use at Poti and in Khobi Municipality
- Popularization and promotion of small HPPs, helio-systems, wind mills and combined systems

Objective 4.4. Promotion of introduction of technological updating and innovations

- Periodical evaluation of the technological capacities and key needs of the enterprises operating in the region
- Promotion of transfer and introduction of advanced technologies in all branches of industry
- Promotion of extensive introduction of leasing system and relevant practices in the region
- Priority attraction of investments oriented towards transfer of new technologies
- Support in making partnerships between science, extensive foreign investments and local industrial subjects
- Creation of a database of research and development, scientific and technological achievements, patents, prototypes, know-how and licenses generated within the region
- Seeking, recording and identification of local innovators and best inventors
- For the purpose of performing significant researches and introduction of their outcomes in the production sector, formation of network links between the public, business and academic/research & development sectors
- Promotion of joint researches and projects for implementation by different entrepreneurial groups
- Promotion of improvement of professional and technical basis and growth of potential of Shota Meskhia Zugdidi State University to facilitate expert examination of innovative projects of small enterprises
- Arrangement of targeted trainings and consultations on the introduction of innovations and funding opportunities
- Initiation of inter-regional cooperation in the sphere of innovative entrepreneurship
- Preparation of special proposals and incentives in support of innovative start-ups
- To support systematic planning, implementation and effective coordination of the above activities, promotion of establishment of a specialized effective institution (innovation and technological center) in the region; preparation of the project adjusted to the key needs, its submission to the regional Council for approval and attraction of relevant assets (budget, private and donor)

Goal 5: Further development of transport communications and international transportation

- Further development and expansion of the transport corridor, improvement of international transit routes to Eastern Europe, Caucasus and Central Asia
- Active promotion of the region's involvement in the trans-Asian route system
- Renovation of Poti Hydro-unit

- Completion of Poti International Airport construction
- Complex study of Anaklia Port construction issue (commercial and economic effect, stimulation of infrastructure development of the adjacent territories, impact on international carriage and cargo turnover; environmental impact, etc.); and preparation of relevant proposals to potential investors
- Support to maximization of railway potential and providing financially attractive transport and information systems
- Arrangement of modern transport logistic systems and systemic support to development of the regional construction logistic hub
- Extensive support to development of warehouse facilities
- Support to construction of helipads in some municipalities of the region
- Continuation of close cooperation with international financial institutions (World Bank, European Bank for Reconstruction and Development, etc.), donors and transnational projects for more effective use of the region's transit function

Goal 6: Agriculture development

- Support to launching of private-public partnership schemes to ensure the development of priority spheres of agriculture and agri-production in the region (particularly production of hazelnut, citrus, and blueberry), development of exports and imports substituting goods
- Support to development of plant growing and livestock development and increase of productivity through creation and development of service centers; arrangement of pilot-demonstration plots, introduction of modern technologies and improvement of population awareness
- To fully meet local needs, providing additional machinery, including small-size machinery to mechanization center
- Full renovation of the drainage networks and formation of an effective management system, development of the underdeveloped arable lands and improvement of soil fertility; renovation of the internal access roads; ensuring registration of agricultural lands not registered before
- Support to development of fishing and fish production
- Support to extension and development of rural cooperation
- Introduction of effective food safety system

Goal 7: Attraction of direct foreign investments to the region

- Further systematization and dissemination of information about the region's material assets and resource potential
- Preparation of special investment passports and projects in the region and municipalities to generate interest of foreign investors
- For the purpose of communication with foreign investors, recruiting highly qualified human resources and their re-training
- Promoting links and feedback between foreign and local enterprises; development of an information bank about local enterprises, their business profiles and capabilities
- Consultations to the existing and potential foreign investors about economic potential of the region; developing optimal legal forms of investments, possibilities of establishing joint ventures, real property and other issues
- Adapting local raw materials and products to the requirements of international markets (primarily EU market) with respect to packaging, marking, etc.
- Organizing and conducting special business forums, presentations, marketing analysis, targeted trainings; representation of the region at international exhibition
- Maintenance and processing of statistical data related to foreign investments in the regional context
- Implementation of activities required for the region's branding etc.
- For effective implementation of the above tasks and activities, establishment of an effective institution responsible for attracting investments to the region, and for this purpose ensure

involvement of relevant public, private and donor resources; ensuring close coordination of the activities of local government with the National Investments Agency and other relevant central departments

Goal 8: Development of small and medium businesses

Objective 8.1. Support to the establishment of institutions supporting small and medium businesses

- Arrangement of professional re-training centers at the region's municipalities
- Forecasting the required profiles and numbers of the re-training centers on the basis of study of the actual needs of the region, with respect to vocational training
- Establishing and supporting a modern business incubator
- Arrangement of labor, small and family business technologies exhibition and fair (Expo-center); identification of typical organizational structure and operation mechanisms of exhibitions and fairs
- Development of relevant projects, their consideration and approval, attracting public, private and donor funds for the above-mentioned purposes

Objective 8.2. Providing information and consulting services to small and medium businesses

- Preparation of periodical studies on the region's business climate, needs and development prospects of small and medium businesses
- Development of a database through permanent collection, processing and updating of documents containing full information related to the development of small and medium businesses
- Posting legislative, tax and other news related to small and medium entrepreneurship (including special municipal, regional and state programs), as well as other significant information and publications
- Improvement of awareness of small and medium business subjects through arrangement of targeted trainings, seminars, business forums and providing consultations and expert services (issues: development of business plans and projects, marketing strategies, export markets, new technologies, tax and licensing legislation, foreign languages, computer skills, etc.)
- Arrangement and support of special business forums with the participation of representatives of local small and medium businesses and banking sector present in the region to discuss the news and challenges of funding (including availability of loans, procedures, interest rates, service standards, etc) in this sector
- Dissemination of information about new and potential foreign investments in the region (including Poti Free Industrial Zone)
- Dissemination of information about ongoing and new state municipal programs and economic and infrastructure incentives

Objective 8.3. Support to the establishment of small and medium business entities

- Support to the development of entrepreneurship, services, trades, crafts and other small businesses
- Promotion of development of modern trade networks in the municipal centers of the region
- Partnership development between local entrepreneurs in agriculture, tourism and crafts/applied arts
- Support to hazelnut production and further expansion of their market
- Arrangement and support to the transit and logistic systems
- Support to the development of construction and repair companies
- Support to the fruits and berries processing enterprises in the region
- Support to local businesses in seeking new markets; assistance in local and export market research; arrangement of local products' exhibitions in various countries

- Support of partnership between small/medium businesses and large entrepreneurial subjects for the implementation of infrastructure and innovative projects
- Study of the opportunities for stimulation and support of granting subsidized loans to small and medium businesses in the priority spheres
- Stimulation and support to the expansion of micro-credit organizations' networks
- Support to development of insurance institutions network in the region
- Support to development of the municipal and community socio-cultural services (implementation of the above activities is impossible without collaboration with commercial banks, micro-finance organizations and insurance companies)
- Support to crafts and vocational education through promotion of dialogue between professional re-training centers and employers; development of needs-oriented curricula and providing adequate learning conditions

Goal 9: Diverse development of tourism industry

Objective 9.1. Maintenance and improvement of tourist infrastructure

- Conservation of cultural and historical monuments, their protection and maintenance (in cooperation with Georgian Ministry of Culture and Monuments Protection);
- Proper maintenance and development of Anaklia and Ganmukhuri coastal recreation zone infrastructure
- Completion of Mestia tourist infrastructure renovation works
- Support to the projects in the recreation zone at Maltakva coastal zone
- Promotion of eco-tourism at Tobavarchkhli Lakes (Tsalenjikha and Chkhorotsku Municipalities); to support tourist visits and hiking, development of information and camping infrastructure; and roads marking and allocation of trash bins
- Ensuring proper conditions for the development of sports, boating and rafting at Martvili caves and Enguri River
- Improvement & development of Zugdidi Botanical Garden infrastructure and re-branding of its tourist image
- Renovation & development of the local access roads to the tourist sites and historical and cultural monuments and their development
- Support and promotion of fast food facilities, camping points, lighting systems, public water closets, car parking and gift shops at tourist points of interest
- Improvement of the region' information infrastructure; installation of signs and sign-boards displaying tourist points of interest (directions) in Georgian and English languages in the cities, villages, roads and highways
- Installation of bilingual (Georgian and English) sign-boards with transport schedules at the official stations of municipal transport to facilitate tourists movement in the region
- Promotion of transformation of real rural houses into family hotels in small and remote mountainous locations, and supply of ecologically pure agricultural products
- Support to construction of hunting and fishing lodges, recreation pavilions and stables

Objective 9.2. Support to incentives programs and their implementation

- Development of municipal programs for tourism development (identifying and specifying local priorities of development in this sphere)
- Periodical assessment of tourism potential in the context of the region and municipalities; support to creation of a system for proper recording of the tourist flows and information collection
- Proper study and identification of the opportunities for the development of tourism as a complex industry (infrastructure, personnel, production, services, clustering, etc.)
- Promotion and popularization of various types of tourism

- Support to tourist agencies, relevant staff and organized inflow of the tourists into the region; establishing partnerships with tourist agencies, chambers of commerce and other business organizations
- Development and updating of versatile tourist routes in the region
- Support to visual processing of tourist packages, to include: natural sights, recreation centers, environmental routes, shelters, cultural and historical points of interest, ethnographic collections, fine art centers, traditional festivals, fairs etc.
- Popularization of local natural products and local production; their advertising and marketing via websites, billboards, advertising leaflets, brochures, tourist exhibitions, etc.
- Organization and development of various sports events, competitions, folk festivals, Olympiads of different sizes
- Involvement of private structures in the implementation of potential state grants and state programs for effective tourism management
- Increase the level of involvement of local population in the activities for the development of tourism infrastructure and relevant policies
- Exploring new sites with tourism potential
- Preparation of special investment packages aimed at investors; target market gaining strategies

Objective 9.3. Improving standards of services provided to tourists

- Establishing and equipping tourist information centers in the region
- Implementation of professional training and qualification improvement programs for the personnel of tourist entities; support to training and re-training of tour guides and other specialized personnel employed in the sector
- Support to the improvement of tour guides services through providing highly qualified ethnographers speaking in foreign languages, and special performances
- Promotion of availability of financial capital on favorable conditions (soft loans and grants) for new businesses in tourism (family hotels, tour operators, etc.)
- Promotion of quality based pricing of services; identifying and rewarding the best tourist entities, service providers, managers and personnel
- Support to quality control of food products
- Support to placing additional ATMs at the municipal centers of the region to provide better banking services to tourists; attracting banks' interest, initiation of cooperation between local self governments and banking staff
- Preparation and dissemination of tourist maps, guides and brochures
- Support to production of samples of local fine arts and gifts

Goal 10: Improvement of utility and other public services

- Supply of high quality potable water through central systems, high quality uninterrupted electricity and uninterrupted natural gas to the population at full extent;
- Improvement of the sewage systems in municipal centers, towns and resort settlements;
- Construction of domestic and wastewater treatment facilities;
- Introduction of effective hard domestic wastes disposal in the municipalities, ensuring disposal of wastes from all settlements;
- Development of regional strategy and action plan for waste management, ensuring disposal of wastes to landfills with environmental permit, enabling waste processing and composting, Elimination of "uncontrolled" landfills
- Providing regular cleaning of the streets in municipal centers, towns and resort settlements

- Improvement of public transport infrastructure, in accordance with modern standards, between municipal centers, providing passenger carriage between the municipal centers and relevant settlements to full extent
- Providing high quality and cheap internet communication to all settlements
- Equipping the fire emergency & rescue services according to modern standards

Goal 11: Formation of the effective system of social security and health care

- Further expansion of the state insurance package and significant improvement of financial affordability of health care for the population
- Development and implementation of effective projects to improve the demographic situation (social assistance based on needs to families with too many children, compensation of costs related to pregnancy, child birth and neonatal care)
- Ensuring full availability of services of social homes for the vulnerable groups of population (children deprived of parents' care, elderly, and disabled persons)
- Development of infrastructure adjusted for the disabled and ensuring compliance with relevant construction standards
- Providing accommodation to the IDPs
- Ensuring the geographical and financial accessibility of hospitals staffed with highly qualified personnel for the region's population
- Rehabilitation of the community ambulance services infrastructure and launching an effective system for the improvement of village doctors' qualifications
- Updating emergency crews' equipment according to modern standards

Goal 12: Development of education, science, culture and sports

- Full renovation of the public schools and pre-school education infrastructure according to modern standards and formation of an effective system for the improvement of qualifications of teachers and administrative personnel
- Updating the material and technical basis of Shota Meskhia Zugdidi State Teaching University and its capacity building
- Based on local needs, establishment of multi-profile professional re-training centers in the region
- Rehabilitation and development of the cultural and sports infrastructure in the region

Goal 13: Implementation of effective environmental activities

- Development of an action plan for the management of natural disasters risks and emergency situations, and formation of a system of monitoring of the particularly vulnerable territories
- Development and implementation of measures for the mitigation of negative climate change impact
- Development and implementation of a plan for coastal area stabilization measures
- Development of emergency forestry measures and restoration of the wind-protection zones
- Improvement of the qualifications of relevant governmental staff and improvement of population's awareness to ensure sustainable forest management
- Elimination of uncontrolled grazing problem
- Providing quality control of water at Black Sea coastal zone and expansion of Paliastomi Lake monitoring network
- Establishment of a quality monitoring station
- Improvement of the population's information and awareness in environmental issues
- Ensuring involvement of trans-border and inter-territorial environmental cooperation and activities

Goal 14: Development of mass media and civil sector and reduction of gender inequality

- Fostering of close collaboration between the government and civil sector/media and promotion of cooperation between business sector and civil sector
- Planning and implementation of measures promoting gender equality