

Georgia : Batumi Bypass Road

1. Project Information

Project ID:	P000021	Instrument ID:	L0021A
Member:	Georgia	Region:	Western Asia
Sector:	Transport	Sub-sector:	Roads
Instrument type:	<input checked="" type="checkbox"/> Loan:114.00 US Dollar million <input type="checkbox"/> Guarantee	Lead Co-financier(s):	Asian Development Bank
ES category:	A	Borrowing Entity:	Ministry of Finance, Georgia
Implementing Entity:	Roads Department of Georgia, Georgia		
Project Team Leader:	Runze Yu		
Responsible DG:	Gregory Liu		
Responsible Department:	INF2		
Project Team Members:	Liu Yang, Project Counsel; Yi Geng, OSD - Financial Management Specialist; Chongwu Sun, OSD - Environment & Social Development Specialist; Rabindra Shah, OSD - Procurement Specialist; Yanyang Shi, Project admin		
Completed Site Visits by AIIB:	Jul, 2018 ADB, AIIB Jan, 2019 ADB, AIIB Jul, 2021 ADB, AIIB (Virtual) May, 2022 ADB, AIIB Sep, 2022 ADB, AIIB (Virtual)		
Planned Site Visits by AIIB:			
Current Red Flags Assigned:	1		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	1		
Previous Red Flags Assigned Date:	2022/12		

2. Project Summary and Objectives

The Project will construct a new two-lane road approximately 14.3 km long, in a key section of the East–West Highway that skirts the port city of Batumi. Total Project Cost: USD 315.2 million; USD 114.0 million (AIIB), EUR 108.2 (ADB), and USD 87.2 million (Govt. of Georgia).

The Project objective is to improve regional connectivity and efficiency of road transport along the East-West Highway in Georgia.

3. Key Dates

Approval:	Jun. 15, 2017	Signing:	Jun. 17, 2017
Effective:	Oct. 12, 2017	Restructured (if any):	
Orig. Closing:	Jun. 30, 2023	Rev. Closing (if any):	

4. Disbursement Summary (USD million)

Contract Awarded:		Cancellation (if any):	0.00
Disbursed:	55.63	Most recent disbursement (amount/date):	0.84/May. 09, 2023
Undisbursed:	58.37	Disbursement Ratio (%) ¹ :	48.80

5. Project Implementation Update

Batumi bypass road covers the section from Makhinjauri to riv. Chorokhi. Total length of the road is 14.325km while the width is 14.0m. The mentioned section flows through mountainous terrain and considers construction of 5 tunnels, 6 bridges, 7 viaducts, 9 overpasses, 57 culverts, and 4 interchanges. 3 out of the 5 tunnels within the project have been completed. Critical path for project completion lies in Tunnel #1 and Tunnel #2.

In 2022 there had been significant delay of commencing the civil works for both tunnels due to the financial difficulties of the contractor. The Extension of Time (EOT) to December 31, 2022, was granted as per Road Directorate (RD)'s request. In November 2022, the Contractor was able to mobilize limited funds to resume the construction. However, the progress in the construction of the Tunnels and Bridges is still slow in 2023, again due to the lack of funds by the Contractor and not enough Plant/Equipment and manpower available on the site to continue the Works towards completion in a timely manner. Another EOT is expected in 2023 but has not been granted as the Contractor has not provided a Program of Works to the Engineer for review after missing many deadlines for submission given by the Engineer.

As of end of June 2023, the value of executed works since commencement of the Project is 81.95% of the Contract Price (GEL 329,630,734.78). As per revised Cash Flow plan submitted by the Contractor in June 2022, the revised tentative contract price was indicated as GEL 367,903,168.39, and respectively, the cumulative physical progress from the revised tentative contract price is 73.43%.

On May 29, 2023, AIIB received the following request from the GMOF, which has legal implications to the Loan Agreement and triggers respective amendment procedure:

- A. To extend the Loan Closing Date from June 30, 2023 to December 31, 2025;
- B. To cancel the identified savings in the amount of USD15,000,000 in Item Number 1A (Batumi Bypass Road) of the "Allocation and Withdrawal of Loan Proceeds Table" in the Schedule 2, Section IV of the Loan Agreement;
- C. To reallocate USD5,000,000 from Item Number 1A (Batumi Bypass Road) to Item Number 2A (Construction Supervision of Batumi Bypass Road) of the "Allocation and Withdrawal of Loan Proceeds Table" in the Schedule 2, Section IV of the Loan Agreement; and
- D. To make necessary amendments to maintain consistency between AIIB's Loan Agreement and ADB's Loan Agreement for the "Allocation and Withdrawal of Loan Proceeds Table" in the Schedule 2, Section IV and "Project Description" in Schedule 1 of the AIIB Loan Agreement.

¹ Disbursement Ratio is defined as the volume (e.g. the dollar amount) of total disbursed amount as a percentage of the net committed volume.

On June 28, 2023, AIIB sent a Consent Letter to the Ministry of Finance, giving no-objection to the request for loan closing date extension. AIIB is now working with ADB, the lead financier on other proposed amendments to their respective Loan Agreements to ensure consistency.

Components	Physical Progress	Environmental & Social Compliance	Procurement
Component 1: Batumi Bypass civil works (USD100.5 million)	<p>Progress Target (per revised work plan and 3rd EOT is pending): 100%</p> <p>Achieved Progress: 73.43%</p> <p>Time Elapsed: 100%</p> <p>Lead/Lag Progress: -26.57% Lag</p>	No issues	No issues
Component 2: Construction supervision and quality assurance services (USD3.5 million)	Consultant is providing services.	No issues	No issues

Financial Management:

Bank team had received the Audit for FY 2022 on July 12, 2023 and provided comments on July 14, 2023.

6. Status of the Grievance Redress Mechanism (GRM)

The Local Grievance Redress Committee (GRC) was established on June 14, 2016, to receive written as well as verbal grievances. The GRM is functioning.

A total of 215 persons have submitted grievances across 11 categories to the GRC. Out of these, 167 grievances have been resolved as of June 31, 2023. Most people (85) applied for damage to their assets caused by construction activities, out of which 55 have been closed. 42 APs requested inclusion of their residential structures or land plots in the acquisition list, out of which 39 cases are closed. 28 APs expressed dissatisfaction due disturbance by noise/vibration and dust, out of which 15 cases closed.

In April 2023 no cases were resolved, 1 new grievance was received.

In May 2023 seven cases were resolved, 1 new grievance was received.

In June 2023 four cases were resolved, no new grievance was received.

7. Results Monitoring (please refer to the full RMF, which can be found on the last page of this PIMR)

N/A

Remarks:

Results Framework will be updated by December 2023 due to 1) amendments to the Loan Agreement is ongoing; 2) EOT till end of 2023 expected.

Project Objective Indicators	Indicator level	Unit of Measure	Cumulative Target Values																				Frequency	Responsibility	Comments	
			Baseline		2016		2017		2018		2019		2020		2021		2022		2023		End Target					
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target				Actual
Efficiency of road transport along the EWH in Georgia improved - Reduced travel time from Sarpi to Poti	Project	Hour	2016	3	3		3		3		3		3		3		3		1.5			1.5		Annually	Client (PIU)	
New bypass road skirting Batumi constructed	Project	Km	2016	0	0		0		0		0		0		14.3		14.3		14.3			14.3		Annually	Client (PIU)	
Routine and periodic maintenance carried out using PBM contracts	Project	Km	2016	0	0		0		0		0		0		0		0		200			200		Annually	Client (PIU)	

Project Intermediate Indicators	Indicator level	Unit of Measure	Cumulative Target Values															Frequency	Responsibility	Comments
			Baseline		2016		2017		2018		2019		2020		End Target					
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target	Actual			