

## Project Implementation Monitoring Report (#17)

Reporting Period From 2023/07 To 2023/12

## 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; Purnendu Pathak, 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:	2023/06		

## 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.

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**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:	65.46	Latest disbursement (amount/date):	0.03/Dec. 12, 2023
Undisbursed:	48.54	Disbursement Ratio (%) <sup>1</sup> :	57.42

**5. Project Implementation Update**

**Project Brief.** The Batumi Bypass Road Project encompasses a 14.325km stretch from Makhinjauri to Riv. Chorokhi, with a width of 14.0m. This section traverses mountainous terrain, necessitating the construction of 5 tunnels, 6 bridges, 7 viaducts, 9 overpasses, 57 culverts, and 4 interchanges. Of the 5 tunnels planned, 3 have been completed, with Tunnels #1 and #2 critical to project completion.

**Critical Path Items.** In 2022, civil works for Tunnels #1 and #2 faced significant delays due to the contractor's financial constraints. However, work gradually resumed in 2023. By the end of Q4 2023, NATM works for Tunnel No. 1 saw progress at the entrance portal, with top heading excavation reaching 256.43 meters, and exit portal works recommencing with NATM to 207.34 meters. For Tunnel No. 2, entrance portal NATM excavation reached 650.02 meters, and exit NATM top heading excavation reached 54.73 meters, all completed by Q4 2023.

**Progress.** Three extensions of time (EOT) were granted until May 31, 2024, resulting in a revised contract price of 367,903,168.39 GEL (from the original 329,630,734.84 GEL). However, physical progress according to the revised contract price stood at 81.56% by the end of Q4 2023, according to the revised contract price considering all the approved variations. Despite meetings and instructions to accelerate progress, the contractor's lack of investment and planning continued to impede project advancement during Q4 2023, failing to achieve the Employer's instructions to complete 85% of the Project by 20 December 2023.

**Loan Amendments.** In response to a request from the GMOF received by AIIB in May 2023, amendments were made to the Loan Agreement in November 2023. However, the effectiveness of these amendments is pending the government's ratification process:

- 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.

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

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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 (USD80.5 million)	<p>Progress Target (per revised work plan): 85%</p> <p>Achieved Progress: 81.56%</p> <p>Time Elapsed: 91.9%</p> <p>Lead/Lag Progress: -3.44% Lag</p>	No issues	No issues
Component 2: Construction supervision and quality assurance services (USD8.5 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, with the aim of receiving both written and verbal grievances. The GRC has been operational and effectively functioning.

Since its establishment, a total of 226 individuals have submitted grievances across 11 categories to the GRC. As of December 31, 2023, 179 grievances have been successfully resolved. Among these, the most common category of grievances (94 cases) pertained to damage to assets caused by construction activities, with 61 cases successfully closed. Additionally, 42 affected persons (APs) requested the inclusion of their residential structures or land plots in the acquisition list, of which 40 cases have been resolved. Furthermore, 28 APs expressed dissatisfaction due to disturbance caused by noise/vibration and dust, with 17 cases successfully closed.

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

N/A

**Remarks:**

Due to the Client ratification of the amendments to the Loan Agreement is still ongoing, the Results Framework will be updated in the next submission.

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With the 3rd EOT till May 31, 2024 being granted, the outcome-level results indicator will be updated as: Reduced travel time from Sarpi to Poti to 1.5 hours by 2026 (2016 baseline: 3.0 hours). The output-level results indicator will be updated as: 14.3 km of a new two-lane bypass road skirting Batumi constructed by 2026 with international roughness index no higher than 3.0 m/km (2016 baseline: 0 km).

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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			1.5				1.5			Annually	Client (PIU)	
New bypass road skirting Batumi constructed	Project	Km	2016	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			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			