

Project Implementation Monitoring Report (#18)

Reporting Period From 2024/01 To 2024/09

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:99.00 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:	Yaxin Yan		
Responsible DG:	Konstantin Limitovskiy		
Responsible Department:	PSC2		
Project Team Members:	Liu Yang, Project Counsel; Yi Geng, SFD - Financial Management Specialist; Chongwu Sun, SFD - Environment & Social Development Specialist; Purnendu Pathak, SFD - Procurement Specialist; Runze Yu, Back-up PTL; 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) Apr, 2024 ADB, AIIB (Virtual) Sep, 2024 ADB and AIIB (Runze Yu)		
Planned Site Visits by AIIB:	Jun, 2025 To be scheduled and confirmed with ADB		
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	1		
Previous Red Flags Assigned Date:	2023/12		

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). On May 17, 2024, the Government of Georgia ratified an

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amendment to the Loan Agreement with AIIB dated June 17, 2017, cancelling USD 15 million, making the total commitment by AIIB USD 99 million. The ADB loan remained the same as they agreed with the Government on additional scope under the Project.

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):	Dec. 31, 2025

4. Disbursement Summary (USD million)

Contract Awarded:		Cancellation (if any):	15.00
Disbursed:	74.02	Latest disbursement (amount/date):	1.28/Aug. 28, 2024
Undisbursed:	24.98	Disbursement Ratio (%) ¹ :	74.76

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.

Overall Progress Update. The project, largely halted between 2022 and 2023 due to the contractor's lack of investment and planning in mobilizing required resources, has shown significant progress since 2024. As of September 26, 2024, 92.04% of the project's physical works have been completed based on the contract value. Notable milestones include the completion of major structural components for bridges, tunnels, and highways. For example, all primary bridge structures (pile works, foundations, abutments, and beams) have been finished. Similarly, main tunnel works, including bored piles, concrete linings, and pavement, are completed. However, some tasks, such as installing manhole gratings for drainage in several tunnels and finalizing emergency exits, remain pending. While most physical structures are nearly finished, the Mechanical, Electrical, and Plumbing (MEP) works lag behind, with only 70% completion. Key issues include incomplete cable installation (70% completed), firefighting systems (60% completed), and electrification works (60% completed). No progress has been made on the Supervisory Control and Data Acquisition (SCADA) systems for the tunnels. However, all necessary MEPs have been procured and are ready for installation. It is anticipated that it will take at least one more month to complete the remaining work and achieve full project completion.

Loan Amendments. In response to a request from the Ministry of Finance of Georgia received by AIIB in May 2023, amendments were made to the Loan Agreement in November 2023:

- 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

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.

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(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.

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. On November 10, 2023, Amendment Letter #1 was sent to the Ministry of Finance and was signed by the Minister of Finance on November 17, 2023. The Amendment was ratified by the Government on May 17, 2024.

Components	Physical Progress	Environmental & Social Compliance	Procurement
Component 1: Batumi Bypass civil works (USD80.5 million)	Physical Progress (cumulative) 92.04%.	E&S management, monitoring and reporting has been carried out in line with AIIB's ESP.	The poor performance of the contractor causing delays has been corrected. The project has been progressing smoothly and rapidly catching up since the beginning of 2024.
Component 2: Construction supervision and quality assurance services (USD8.5 million)	Consultant is providing services.	No issues	No issues

Financial Management:

The Project audit report for year ended Dec 31, 2023 has been timely received through ADB. The report was issued with unmodified (clean) opinion and deemed as acceptable after some revision of misstatements.

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 232 individuals have submitted grievances across 11 categories to the GRC. As of June 30, 2024, 182 grievances have been successfully resolved. Among these, the most common category of grievances (99 cases) pertained to damage to assets caused by construction activities, with 62 cases successfully closed. Additionally, 42 affected persons (APs) requested the inclusion of their residential structures or land plots in the acquisition list, of which 41 cases have been resolved. Furthermore, 28 APs expressed dissatisfaction due to disturbance caused by noise/vibration and dust, with 17 cases successfully closed.

The following measures have been taken diligently: a) assess the damage caused to the property of the complainant and sign the appropriate compensation agreement for repair of the damage, (b) conduct new baseline survey upon completion of repair works, and (c) continue the monitoring work. These measures have been re-emphasized

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during the April Supervision Mission and most recent Mission in September.

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

With an anticipated operation starting in 2025 after the extensive delays, zero actual values are still recorded during the construction period.

Remarks:

The current Results Monitoring Framework (RMF) includes three key indicators:

1. Efficiency of road transport along the East-West Highway (EWH) in Georgia improved, measured by reduced travel time from Sarpi to Poti.
2. Construction of a new bypass road skirting Batumi.
3. Routine and periodic maintenance carried out using Performance-Based Maintenance (PBM) contracts.

Following the project's restructuring, AIIB and ADB confirmed that the revised RMF will retain only the first two indicators, as the third was removed upon the request of the Road Department, reflecting its exclusion from the project scope. Additionally, the unit of measurement for Indicator #2 will be updated to reflect the percentage of physical progress each year, rather than kilometers, as the project was not constructed in a linear manner.

The annual actual values are currently being collected by the construction supervision consultant, and will be reviewed by the Road Department before submission to ADB and AIIB in Q4 2024.

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		3		2026	1.5		Annually	Client (PIU)	
New bypass road skirting Batumi constructed	Project	Km	2016	0	0		0		0		0		0		0		0		0		2026	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		0		2026	200		Annually	Client (PIU)	

Project Intermediate 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

Program Objective Indicators Title

Intermediate Result Indicators mpp