



Azerbaijan: Road Network Development Program - Project 2

Project Name

Road Network Development Program - Project 2

Project Number

39176-033

Country / Economy

- Azerbaijan

Project Status

Closed

Project Type / Modality of Assistance

- Loan

Source of Funding / Amount

Loan 2433-AZE: Road Network Development Program - Project 2

| Source | Amount |
|----------------------------|--------------------|
| Ordinary capital resources | US\$ 54.55 million |

Strategic Agendas

- Inclusive economic growth
- Regional integration

Drivers of Change

- Gender Equity and Mainstreaming
- Governance and capacity development

Sector / Subsector

- **Transport** / Road transport (non-urban)

Gender

Some gender elements

Description

The Project will rehabilitate about 37.5 kilometers (km) of the two-lane paved road bypassing Ganja, Azerbaijan's second largest city. The project road is part of the country's primary east-west highway linking the capital, Baku, to the Georgian border. It will conform to Azerbaijan's standards for a category II road, with a 7.5-meter (m)-wide pavement and 3.75 m shoulders. The Project will contribute to socioeconomic development in Azerbaijan and its cooperation with Georgia through improved road network, increased traffic, and expanded trade through building an efficient, safe, and sustainable road network, linking Azerbaijan domestically and internationally.

Project Rationale and Linkage to Country/Regional Strategy

The Government of Azerbaijan (the Government) developed a Road Network Development Program for 2006-2015 in July 2006. The Program, which includes an investment component and a non-investment component, aims to develop an adequate, efficient, safe, and sustainable road network. In support of the Program, the Government and the Asian Development Bank (ADB) entered into a Framework Financing Agreement (FFA) for the Multitranche Financing Facility (MFF) in an aggregate principal amount not exceeding \$500 million equivalent on 8 August 2007. ADB approved the MFF on 28 September 2007. Project 1 of the MFF aimed to develop the Masalli-Astara section of the North-South highway. ADB approved two loans in a total amount of \$200 million consisting of an Ordinary Capital Resources (OCR) loan of \$190 million and a loan in various currencies equivalent to Special Drawing Rights 6,535,000 under tranche 1 to help finance Project 1 on 4 October 2007.

On 1 July 2008, ADB received the second Periodic Financing Request (PFR) dated 30 June 2008 from the Government in the amount of \$55.4 million to finance improvement of the Ganja bypass road. It was initially intended to finance the Ganja bypass road (the project road) under the ADB loan for the East-West Highway Improvement Project (Loan No. 2205) approved in December 2005. The East-West Highway Improvement Project, however, experienced severe cost overruns because of sharp increases in prices of fuel, utility and major road construction materials, and was found inadequate to finance the project road. The Government and ADB agreed to change the scope of the East-West Highway Improvement project and dropped the Ganja bypass road from its scope. The Government has then requested ADB to finance the project road from tranche 2 of the MFF.

The project road is a high priority of the Government and is included in the Road Network Development Program for 2006-2015 under the Transport Sector Development Strategy. It bypasses Ganja, Azerbaijan's second largest city and forms part of the country's primary east-west highway linking the capital, Baku, to the Georgian border. However, it is in poor condition, resulting in high transport costs, long delivery times, and traffic accidents. This constitutes impediments to non-oil sector growth and poverty reduction in Azerbaijan, as well as regional trade development. The improvement of the project road will promote domestic and regional trade and traffic, thus contributing to the achievement of the objectives of the State Program on Poverty Reduction and Economic Development.

Impact

Accelerated socioeconomic development in the 6 administrative districts (rayons) of Azerbaijan's Ganja-Gazakh economic region.

Project Outcome

Description of Outcome

An efficient, safe, and sustainable Ganja bypass road as an integral part of the East-West Highway.

Progress Toward Outcome

About 90% of the civil works for Ganja bypass road were completed as of loan closing date of 31 December 2012, and fully completed by April 2013. PCR mission was fielded in July 2013 and the report is being compiled.

Implementation Progress

Description of Project Outputs

A two-lane paved Ganja bypass road improved.

Status of Implementation Progress (Outputs, Activities, and Issues)

Environmental management plan was prepared by the Contractor, and is strictly followed in the course of civil works

Due to significant implementation delay, 90% of works completed under the loan by the loan closing date. Through govt's funding the remaining works will be completed by April 2013.

Geographical Location

Safeguard Categories

Environment

B

Involuntary Resettlement

C

Indigenous Peoples

C

Summary of Environmental and Social Aspects

Environmental Aspects

The Project is classified as Category B. An initial environmental examination concludes that the potential environmental impacts are likely to occur due to construction activities and much of these impacts are temporary in nature. Temporary use of land adjacent to the project road, removal of roadside vegetation, temporary land-take for the site of the contractor's yard, as well as the extraction and transport of construction material from borrow sites will have temporary impacts on the environment during project implementation. No protected or environmentally sensitive areas such as designated wetlands, forests, nature conservation areas, and places of archaeological importance are within or near the project area.

An environmental management and monitoring plan was prepared to mitigate the potential environmental impacts of the Project. During construction, environmental monitoring

will ensure the protection of embankments from potential soil erosion, borrow pits

restoration,

quarry activities, location of work sites and material storages, location of asphalt plants,

preservation of religiously sensitive locations, community relations, and safety provisions.

During operation, air, noise, and surface water quality monitoring and greening and landscaping

of project roads will be important parameters of the monitoring program. In cooperation with the

project implementation unit, the supervision consultant during project implementation will be required to (i) develop an environmental auditing protocol for the construction period and formulate a detailed monitoring and management plan; and (ii) supervise the civil works for road improvement and submit quarterly reports based on the monitoring data and laboratory analysis report.

Involuntary Resettlement

Measures will be taken to minimize impacts and keep construction activities within the road

reserve. The civil works contracts will require contractors to be responsible for the temporary acquisition and reinstatement of all land required outside the road reserve for construction camps, offices, borrow pits, materials storage sites, materials

processing sites, and haul roads.

Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design

During project preparation, ADB held extensive consultations with various stakeholders including representatives of central and local governments, civil society, local communities, the private sector, road users, and external aid agencies. More than 500 people participated in these consultations. The consultations covered major issues such as project alternatives, potential benefits, and social and environmental impacts. The results showed a high degree of public support for the Project. The project design has incorporated the views of stakeholders.

During Project Implementation

The Project Grievance committee has been set up to conduct regular stakeholder consultations in the project area. At the onset of the construction works, the Grievance Committee met with the representatives and residents of the villages along the project area. Communication lines have been established between the Committee and the village heads through mobile phones. The village representatives are expected to call the attention of the Committee on various complaints and issues raised by the community residents. Thereafter, the Committee schedules public consultancy meetings with the village residents to discuss their issues and complaints.

Such issues and requests of the local residents are being discussed during the weekly or emergency meetings with the Project Supervision Consultant's Team, whereby solutions are being identified. The proposed solutions, especially those that involve technical changes in the road design are being discussed with the Executing Agency and the Contractor. When proven acceptable and approved, the solutions to the problems are being implemented. The Grievance Committee continually consults the local residents every month, or during their regular site inspections, to inquire about their problems and issues arising from the road construction activities in their areas.

Business Opportunities

Consulting Services

Construction Supervision. A contract with KOCKS CONSULT GMBH was amended for additional value of US\$ 914,194.13 on 14 Dec 2011.

Procurement

ICB for civil works. A US\$ 51,907,444.14 contract (net of tax) awarded to IMPRESA S.P.A. on 26 Dec 2008. A contract amendment (variation order No.1) was made in Sep 2011 increasing the contract value by AZN 3,908,492.11 (about \$5 million, net of tax) to cover additional utility shifting works.

Contact

Responsible ADB Officer

Faraj, Huseynbeyov

Responsible ADB Department

Central and West Asia Department

Responsible ADB Division

Azerbaijan Resident Mission (AZRM)

Executing Agencies

Ministry of Transport

Timetable

Concept Clearance

-

Fact Finding

-

MRM

05 Mar 2008

Approval

22 Aug 2008

Last Review Mission

-

PDS Creation Date

28 Jan 2009

Last PDS Update

30 Sep 2013

Funding

Loan 2433-AZE

Milestones

| Approval | Signing Date | Effectivity Date | Closing | | |
|-------------|--------------|------------------|-------------|-------------|-------------|
| | | | Original | Revised | Actual |
| 22 Aug 2008 | 15 Dec 2008 | 03 Mar 2009 | 30 Apr 2012 | 31 Dec 2012 | 24 Apr 2013 |

Financing Plan

Total (Amount in US\$ million)

| | |
|--------------|-------|
| Project Cost | 73.05 |
| ADB | 54.55 |
| Counterpart | 18.50 |
| Cofinancing | 0.00 |

Loan Utilization

| | Date | ADB | Others | Net Percentage |
|----------------------------|-------------|-------|--------|----------------|
| Cumulative Contract Awards | 17 Jun 2022 | 54.55 | 0.00 | 100% |
| Cumulative Disbursements | 17 Jun 2022 | 54.55 | 0.00 | 100% |

Status of Covenants

| Category | Sector | Safeguards | Social | Financial | Economic | Others |
|----------|--------------|--------------|--------------|--------------|----------|--------------|
| Rating | Satisfactory | Satisfactory | Satisfactory | Satisfactory | - | Satisfactory |

Project Page <https://www.adb.org/projects/39176-033/main>

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