Georgia: Batumi Bypass Road Project

**Project Name**
Batumi Bypass Road Project

**Project Number**
50064-001

**Country**
Georgia

**Project Status**
Active

**Project Type / Modality of Assistance**
Loan

**Source of Funding / Amount**

<table>
<thead>
<tr>
<th>Description of Project Outputs</th>
<th>Loan 3520-GEO: Batumi Bypass Road Project</th>
<th>US$ 114.00 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary capital resources</td>
<td></td>
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<tr>
<td>Loan 8328-GEO: Batumi Bypass Road Project</td>
<td></td>
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<tr>
<td>Asian Infrastructure Investment Bank</td>
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</table>

**Strategic Agendas**
- Environmentally sustainable growth
- Inclusive economic growth
- Regional integration

**Drivers of Change**
- Governance and capacity development
- Knowledge solutions
- Partnerships
- Private sector development

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

**Gender Equity and Mainstreaming**
No gender elements

**Description**
The project will (i) construct a new two-lane bypass road of 16.2 km skirting Batumi; and (ii) contract out routine and periodic maintenance work for about 200 km of international roads combined with connecting secondary roads based on performance-based maintenance (PBM) contract. Batumi is a major port city in the southwest part of Georgia, bordered by the Black Sea to the west and Turkey to the south. The existing main road connecting Sarpi at the border with Turkey to Poti, a major port at the Black Sea, is a key transit route along the coastline of the Black Sea for heavy goods and passenger traffic from Turkey to Tbilisi and then onto Azerbaijan and the Caspian Sea.

**Project Rationale and Linkage to Country/Regional Strategy**
The Caucasus subregion is a land bridge between the Black Sea and the Caspian Sea. It is the shortest transit link from Central Asia to Europe and Turkey. The subregion, which once served caravans from the People's Republic of China to the West along the historic Silk Road, is a major conduit for crude oil from Central Asia and the Caucasus to Europe. The east-west highway between Azerbaijan and Georgia is already a major route for oil exports from Azerbaijan and Central Asian countries, in both cases relying on the ports of Poti and Batumi on the Black Sea as the exit points. Two international roads, E60 and E70 of the European network, form Georgia's East West Highway (EWH)-part of the Europe-Asia corridor through the Caucasus. It runs north from the Turkey border at Sarpi, serving the Black Sea ports of Batumi and Poti, then east to Tbilisi, and then southeast to the border with Azerbaijan, a total distance of 412 km. It will constitute the Central Asia Regional Economic Cooperation (CAREC) road corridor after Georgia joined the CAREC program in 2016. The EWH carries over 60% of the total foreign trade and is seen as a central piece in the government's strategy of playing the role of a transport and logistics hub in the region.

The government aims to leverage Georgia's transit and trade potential to boost private sector competitiveness and inclusive economic growth. The Socio-economic Development Strategy of Georgia (Georgia 2020) emphasizes environmental sustainability and integrating Georgia within regional and international transport systems. The broad strategic directions are to improve the transport system to link all parts of the country, and to connect its ports and airports to neighboring countries and beyond, aiming to make Georgia a regional and logistical hub and business platform, upgrade multimodal infrastructure, and ultimately transform Georgia into the preferred gateway between Asia and Europe.

Since 2004, supporting the government strategic thinking, development partners (World Bank, European Investment Bank, Japan International Cooperation Agency, and ADB) have jointly extended their assistance in government's rehabilitating and upgrading the EWH, the backbone of regional connectivity. Through their assistance and government's focused effort, as of 2015, about 135 km of the EWH were already upgraded and about 113 km were under rehabilitation. Out of remaining 144 km, about 94 km have already secured development partners' commitment for further financing. The government aims to complete the entire EWH rehabilitation and upgrading by 2020. The Batumi Bypass road is a part of EWH running E70 and connecting Sarpi, the border with Turkey to Poti and further to Tbilisi and to the border with Azerbaijan. As transit traffic from Turkey keeps growing, the congestion cost in Batumi city reached an intolerable level (aggravating traffic congestion caused by transit traffic's running through heavily built up tourist and residential areas inside the city and mixing with dense urban traffic). The heavy transit traffic not only causes congestion problem but also poses serious social, environmental, and safety problems to local population and tourists in resort areas. It is urgently needed to reroute transit traffic outside of the Batumi city.

**Impact**
Improving regional connectivity in Georgia so that it can play the role of regional transport and logistics hub

**Description of Outcome**
Efficiency for road transport along the EWH in Georgia improved

**Progress Toward Outcome**
Actual progress of works executed since commencement (March 2018) to June 2018 amounts to 4% of the contract price. The delay in progress is mainly due to resettlement issues which are expected to be resolved before end of 2018.

**Implementation Progress**

**Description of Project Outputs**
New bypass road skirting Batumi constructed
Routine and periodic maintenance carried out using PBM contracts
Detailed design, EIA, detailed LARP and bidding documents for Batumi Bypass-Sarpi (Section of E-70 road)

**Status of Implementation Progress (Outputs, Activities, and Issues)**
Civil works contract for Batumi Bypass road was signed in August 2017 (JV Polatoyl and Mapa). Construction supervision consultant for Batumi Bypass road was signed in September 2017 (SMEC International Pty. Ltd.). Construction works commenced in March 2018. Full access to site, except for the 6 problematic land plots, is expected to be given to the Contractor before end of 2018. Once full site access is provided, the contractor will provide a new work program to ensure all works are completed on time and within the budget. Activities for routine and periodic maintenance using PBM contracts has not started.
There are no indigenous peoples, as defined in Safeguard Policy Statement 2009, in the project area, and the project is classified as category C for indigenous peoples.

During Project Design
The main stakeholders of the project include public institutions (Ministry of Regional Development and Infrastructure and its Roads Department, Ministry of Finance) and project beneficiaries including business community and traders, freight forwarders, transport operators and the local community. The Project design has been prepared in consultation with all stakeholders.

During Project Implementation
Project preparation and implementation will include focus group discussions, workshops, community mobilization, in-depth interviews and consultations conducted for discussion on the environment and social safeguard issues, land acquisition and resettlement planning and implementation, and will address needs of the community and other social-related issues such as gender, HIV/AIDS, human trafficking, child labor etc. Active CSOs/NGOs will be identified and, if required, engaged in consultative process during project preparation and implementation of LARP and during project implementation by Project Management Consultants and by Executing Agency. The participation of the poor is important during implementation of land acquisition and resettlement plan to provide entitlements for assistance and livelihood restoration under LARP provisions. The EA will conduct meaningful consultation to ensure continued participation poor and excluded during LARP implementation.

Business Opportunities
Consulting Services Consulting services will be required for supervising construction and designing PBM contracts. Consultants will be recruited through firms in accordance with ADB’s Guidelines on the Use of Consultants (2013, as amended from time to time). Advance contracting and retroactive financing will be sought to ensure the readiness of the project.

Procurement Procurement of goods, civil works, and related services will be done in accordance with ADB’s Guidelines for Procurement (2015, as amended from time to time). Advance contracting and retroactive financing has been applied to ensure the readiness of the project. The civil works contract was signed in August 2017.

Responsible ADB Officer Shanny Campbell
Responsible ADB Department Central and West Asia Department
Responsible ADB Division Transport and Communications Division, CWRD
Executing Agencies Ministry of Regional Development and Infrastructure of Georgia

Loan 3520-GEO

<table>
<thead>
<tr>
<th>Milestones</th>
<th>Approval</th>
<th>Signing Date</th>
<th>Effectivity Date</th>
<th>Closing</th>
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<th>Financing Plan</th>
<th>Loan Utilization</th>
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<tr>
<td>Date</td>
<td>ADB Others Net Percentage</td>
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<tr>
<th>Total (Amount in US$ million)</th>
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### Loan 8328-GEO

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<tr>
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<td>Cumulative Contract Awards</td>
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<td>ADB</td>
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<td>21.52</td>
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