



**The World Bank**

Third Secondary and Local Roads Project (P148048)

REPORT NO.: RES42518

DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF  
THIRD SECONDARY AND LOCAL ROADS PROJECT  
APPROVED ON JULY 3, 2014  
TO  
GEORGIA

TRANSPORT

EUROPE AND CENTRAL ASIA

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**I. BASIC DATA**

**Product Information**

Project ID P148048	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 03-Jul-2014	Current Closing Date 30-Jun-2020

**Organizations**

Borrower GEORGIA	Responsible Agency Road Department of the Ministry of Regional Development and Infrastructure
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**Project Development Objective (PDO)**

Original PDO

The Project Development Objectives (PDO) are to reduce transport costs on project roads and improve the sustainability of road asset management in the secondary and local project road network.

**Summary Status of Financing**

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IBRD-84020	03-Jul-2014	09-Jul-2014	09-Oct-2014	30-Jun-2020	75.00	63.28	11.72

**Policy Waiver(s)**

Does this restructuring trigger the need for any policy waiver(s)?

No

**I. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES**



Project status:

The Third Secondary and Local Roads Project was approved in July 3, 2014, with a total loan amount of US\$ 75 million. The project is at 84.37% disbursement rate, with an undisbursed amount of US\$ 11.7 million, with an uncommitted amount estimated at US\$ 4.4 million. The original closing date of the project was 30-Sep-2018. The date has been extended once for a duration of 21 months until June 30, 2020. Component 1 (Rehabilitation and Improvement of Secondary and Local Roads): a total of 260.8 km of roads were rehabilitated under the project, out of which 213.3 km are secondary roads and 47.46 km are local roads. The remaining works under the component include the Gurjaani – Bakurtsikhe (the Gurjaani Bypass) Civil Works contract (contract value: US\$ 14.1 million, project length: 15.5 km), which is under implementation. The implementation of the Gurjaani Bypass contract has been disrupted by delays in resettlement activities (around 1 year) and the COVID-19 pandemic lockdown (around 3 months to date). Georgia has imposed state of emergency and a lockdown of the key cities. This was coupled with suspension of construction works on all projects (except strategic ones). All activities under the Third Secondary & Local Road Project (SLRP-III) were accordingly suspended in March 2020.

The contractor for the Gurjaani bypass resumed works in May 2020. The balance of the Bank financing share under this contract is US\$ 6.0 million, representing 43% of contract value. The completion of pending resettlement activities for the Gurjaani bypass (under km0-km2) will take a further 6 months duration (these resettlements were identified during project implementation). This period is longer than originally estimated due to the COVID-19 pandemic where additional precautionary measures must be applied while moving PAPs. Also risk contingencies were considered in determining this period in case of occurrence of a second wave of the pandemic. Construction on the sections affected by the resettlement would only commence once these resettlement activities are completed (December 2020), and it naturally needs the next construction season in 2021 (March 2021 till November 2021).

The contractor for the Gurjaani Bypass has submitted a request to Georgia's Road Department to extend the civil works contract. Component 2 (Capacity building and strengthening in local and secondary roads management) is progressing well with the key activity being the financing of experts to support RD. Component 3 (Road Safety Technical Assistance) supports the Contract for Small-Scale Road Safety Improvement Works in Imereti and Shida Kartli Regions, which was awarded in June 2019. The works completion date of December 27, 2019 was extended for additional 3 months, until May 01, 2020. This was later disturbed by the lockdown due to COVID-19 pandemic. The balance of Bank share of the financing is around US\$ 1.0 million (including works already completed but yet to be billed for).

Uncommitted funds: It was agreed in December 2019 that the uncommitted funds under the operation (estimated at US\$ 4.4 million) would be utilized to implement safety measures (road safety barriers) along various road sections within the project zone of influence. The Government had initially proposed the utilization of the funds to increase the stretches of roads to be rehabilitated. However, the Bank and the Government subsequently agreed to drop this option considering the tight timeline before project closing date. The installation of safety measures was considered a priority to the Government (listed in the Road Safety Action Plan 2020 of the Government of Georgia), in line with the project objectives, and requires shorter implementation time. It is based on this that the tender for the new activities was launched by RD in January 2020 for two packages. With target implementation periods of 3 months.

However, due to the COVID-19 pandemic, the bidders indicated to RD that the proposed measures cannot be delivered by set date due to the closure of borders (particularly that most of the safety barriers would be imported from countries such as Turkey, and others). As a result, the RD decided to cancel the tender and informed the Bank accordingly, and the bank issued a no-objection. Financial management is satisfactory and there are no overdue audits.



Proposed changes:

This proposed Project restructuring responds to the Ministry of Finance’s letter dated June 5, 2020 to extend the Project closing date for the second time till December 31, 2021, and to utilize the uncommitted funds to increase the lengths of road sections being rehabilitated under the project.

The extension of closing date is requested by the Government to achieve two objectives; i) complete the ongoing works under Gurjaani Bypass; and ii) implement the measures to be added as part of utilization of the uncommitted funds. This restructuring paper deals with only extending the closing date (to complete the ongoing contract).

The utilization of uncommitted funds will be reviewed at a later stage following approval of extension of closing date. The activities that will be added must be completed within the closing date proposed under this RP, i.e. December 31, 2021. When the utilization of funds is reviewed and if approved it will not require reallocation between categories. It will simply constitute extending the length of the roads rehabilitated under the same component (Component 1: Rehabilitation and Improvement of Secondary and Local Roads), under expenditure category 1 (Goods, works, non-consulting services, and consultant’s services, Training and Incremental Operating Costs for the Project.). There will, however, be a change in some of the indicators, including “Length of roads rehabilitated”.

Conclusion:

This proposed project restructuring is a level-2 restructuring, which is required to extend the project closing date without changes in the Project Development Objective. The completion of the Gurjaani bypass is important for the successful completion of the project and the achievement of the PDO. The proposed 18 months is reasonable for the completion for the Gurjaani bypass, with a small contingency. The utilization of the uncommitted funds to rehabilitate additional road sections within the PDO will be assessed following the extension, ensuring the implementation schedule of these fit within the agreed extension period.

**II. DETAILED CHANGES**

**LOAN CLOSING DATE(S)**

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IBRD-84020	Effective	30-Sep-2018	30-Jun-2020	31-Dec-2021	30-Apr-2022