Nikea street (Kutaisi Municipality) Rehabilitation

SUBPROJECT APPRAISAL REPORT

World Bank Second Regional and Municipal Infrastructure Development Project (RMIDP II)

Tbilisi, Georgia
June, 2015
## Subproject Appraisal Report (SAR)

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<th>Local Self Government Unit</th>
<th>Kutaisi Municipality</th>
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| 2 | Contact Person: Phone:    | Mayor – Shota Murgulia    
Tel.: 0431 242651 |
| 3 | Subproject Title          | Nikea street (Kutaisi Municipality) Rehabilitation Subproject (SP) |
| 4 | Short description of the proposed Subproject | Ultimate goal of the sub-project (SP) is to improve transportation of Kutaisi Municipality population and thus contribute to improvement of living conditions of the district and the economic development, through more efficient and timely movement of goods and services/access to markets. Total length of the Nikea and Sanapiro streets to be rehabilitated within the SP is about 3.492 km. The SP includes rehabilitation of the asphalt road and sidewalk cover, installation of the new storm water network on Nikea street 513 m besides of existing ones, manholes (21 units), street lighting (5.19 km). Rehabilitation of sidewalks 5300 m on Nikea street, Rehabilitation of sidewalks 3222 m on Sanapiro street, correction of alignment of sewage and storm water manholes on Sanapiro street – 8 units; Existing storm water system together of new section covers all length of both streets. Nikea and Sanapiro streets, which get rehabilitated within the SP, are located in the southern part of the city. Last section of the Nikea street turns into the road which connects Kutaisi bypass highway with Geguti interchange. Nikea street is bordering to the apartment buildings and commercial facilities (shops, bread plant, Auto Repair shop, a gas station) from both sites. Sanapiro street is located along the river Rioni bank protected with embankment walls. City Hall of Kutaisi Municipality confirms that there were not events of flooding of the Sanapiro street. Length wise the Sanapiro street apartment buildings and commercial facilities are located. |
| 5 | Investment plan (estimated amount of proposed investment, structure) | Total estimated cost is GEL 7,549,298.10 (3,431,499.14 USD equivalent) (GEL/USD exchange rate 2.3)VAT included |
| 6 | Financial plan (loan amount, terms, grant amount, co-financing needs) | Presented SP belongs to large creditworthy MG (financing mechanism: “W1”-Window 1) and the financial resources provided on a combined credit and grant basis. Under the Project, 80% of a SP cost will be financed by a credit (50%) and grant (30%) from MDF and the remaining 20% will be a contribution by the MG, from their own budget. The provision of the MG contribution will be proportionally as per the disbursement amount. Key Stakeholders are:  
**Grant Recipient/ Borrower:** Government of Georgia (Ministry of Finance)  
**Local Representation:** Municipal Government (MG) |
Sources of Funding: World Bank (WB) and Municipal Government (MG)/ Government of Georgia (GOG)
Implementing Agency: Municipal Development Fund of Georgia (MDF).

7 Description of all possible benefits
The main benefits from the SP implementation will be the improvement of the traffic situation and living conditions of local population. The SP will have the following tangible and intangible benefits:

**A. Tangible**

*Improvement of the traffic situation*
- Improvement of the communication;
- Improvement of traffic conditions and creation of convenient conditions for safe traffic flow;
- Reduction of the traffic nuisance;
- Decrease of air pollution by decreasing dust and fuel.

*Reducing operation costs of*
Implementation of the SP will allow to decrease costs of the operation and maintenance of the road.

**B. Intangible**

*Environmental Service*
- Improved Environment – elimination of dust and mud, decrease of the noise and fuel usage, elimination of flooding of yards;
- Social Impact - increase of income of population during (employment of workers.) the implementation and after Rehabilitation. The rehabilitated road will decrease the risk of accidents and/or injury of pedestrians and of vehicles. Rehabilitated roads will save a lot of time and money for the beneficiary population, including business.

8 Information about implementation arrangement
Main beneficiary is the Municipal Government (MG) of Kutaisi Municipality under the following agreement structure:
- Loan Agreement (LA) and Project Agreement (PA) signed between the World Bank and the Government of Georgia;
- Project Implementation Agreement (PIA) between the Borrower (Georgia), Ministry of Regional Development and Infrastructure (MRDI) and MDF;
- Investment Financing Agreement (IFA) for the funding of the Nikea street (Kutaisi Municipality) Rehabilitation SP between MDF and Municipal Government (MG) of Kutaisi.

1. Have the possibilities to address the problem in different ways been given adequate consideration?

City Kutaisi is Georgia's second largest city, and the capital of the western region of Imereti. It is located in Imereti region of western Georgia (220 km from Tbilisi) with the population of 196,5 thousand.
The damaged road hinders normal traffic movement reduces traffic capacity of the road and contributes to increase of emission of toxic airs and environment pollution. The SP area roads were constructed decades ago without the renovation is under usage. Presently asphalt layers are damaged due to the rainwater, snow. The proposed SP was initiated by the municipality as a priority (letter #01-01-48/419, 6.03.2015).

Total length of the Nikea and Sanapiro streets to be rehabilitated within the SP is about 3.492 km. The SP includes rehabilitation of the asphalt road and sidewalk cover, installation of the storm water network, manholes (21 units), street lighting (5.19 km).

While ongoing correction of the procurement plan of the MDF it will be ensured that the works would not exclusively plan during the winter season.

The Kutaisi City Hall has coordinated with operators of the water and gas supply utilities to ensure the intended paving works do not overlap with any other scheduled utility works.

The technical decision corresponds to the legislation of Georgia and provides the social effect. The priority was given to the rehabilitation of the vehicle road, as the most cheap and demanded project. Municipality confirms that there were not events of flooding of the road (letter N01/1106, 16.06.2015).

The following options have been discussed:

**Option 1:** Pot-hole Repair

**Option 2:** Complete Rehabilitation using concrete-cement paving

**Option 3:** Complete Rehabilitation using asphalt-cement paving

The idea of partial, pot-hole repair of the roads on the project Street was rejected by the MDF in the beginning of the screening of possible alternative ways of solving the problem. The decision was made considering the following circumstances asphalt layer of the road is damaged, Economic life of the road had long elapsed and no major repair works has been undertaken last years.

As the above alternative way of solving the problem – pot-hole repair was rejected, the consultant was left with two options.

On the basis of the undertaken economic analysis done by the MDF it was concluded that option 3 Complete Rehabilitation (using asphalt-cement paving) is the best alternative as it entails the lowest financial and economic costs. So, implementation of the option 3 is recommended.

The duration of the SP construction activity is planned to take place during 15 months and calculations are made for the cases if the project zone and weather do not hinder the uninterrupted implementation of the construction works.

2. **What has been MDF experience with similar Projects?**

MDF has an extensive experience in the implementation of infrastructure projects. Up to date it has implemented numerous projects for the rehabilitation and construction of the roads, water and waste water systems in the country.

3. **Is the municipal government capable of providing the contribution to project financing?**

This will be regulated by the Investment Financing Agreement (IFA) between MDF and Municipal Government (MG) of Kutaisi Municipality. As soon as the Subproject will be approved, IFA will be signed between MDF and MG. The Municipality will make the necessary amendment in the budget to reflect this commitment.
4. Is the municipal government capable of making the loan repayments?

Yes.

5. Will municipal government ensure sustainable operation and maintenance after proposed investment?

This will be regulated by Investment Financing Agreement (IFA) between MDF and Municipal Government (MG) of the Kutaisi Municipality. MDF and Municipality shall execute the first Hand-Over Agreement for the works provided by the Contractor.

6. Who are the beneficiaries of the project (in both qualitative and quantitative terms)?

The beneficiaries of the Subproject are the population of the city Kutaisi (about 196,5 thousand).

7. Has an environmental impact assessment been carried out or an Environmental Management Plan prepared and, if necessary, have adequate impact mitigation measures been identified and incorporated into the design of the sub-project?

The SP has been classified as environmental Category B according to the World Bank safeguards (OP 4.01) and Environmental Management Checklist for Small Construction and Rehabilitation Activities has been completed according to the according to the ESMF.

Georgian legislation does not require any type of environmental review, approval, or permitting for the SP.

The SP envisages rehabilitation of the existing facilities and will not have significant or irreversible negative impacts on the environment. No sensitive environmental receptors are affected. Temporary adverse impact is expected during road construction phase, which includes movement and operation of heavy vehicles associated with possible disruption of traffic; generation of nice, dust and vibration; possible pollution from servicing and operating of machinery; as well as accumulation of construction waste and excess material. But these impacts are expected to be temporary and insignificant.

The expected negative impacts of the construction phase can be easily mitigated. The contractor will be responsible for the waste disposal at the permitted location, prevention of waste during into river bed, use the quarry materials from the licensed quarries only, prevent water and soil from pollution (fuel spills due to equipment failure, raw asphalt/concrete spills), avoid disturbance of population (noise, dust, emissions) through proper work/supplies scheduling, traffic management, good maintenance of the construction machinery.

Rehabilitation of storm water drainage network, sidewalks, curbs, pedestrian passes are planned within the SP, which will increase traffic and pedestrians’ safety and backing further maintenance of the street cover.
The long term social impact will be beneficial (improvement of local population’s living conditions, better traffic safety conditions, convenience of travelling).

8. Are any safeguard policies of the WB, other than the environmental assessment, triggered by this sub-project? Which of them and why? How does the sub-project comply with the requirements of those safeguard policies?

The SP does not consider any land acquisition and does not entail any expropriation or other adverse effects (e.g. displacement) on anyone in the project area. The SP does not trigger any other safeguard policy of the WB.

9. Is the technical solution proposed adequate and does it comply with Georgian laws and regulations?

Yes the technical solution proposed adequate and does comply with Georgian laws and regulations.

10. Is the proposed project part of a larger investment program for the same area, and if so, how does it fit into that program in terms of technical aspects, costs, and implementation schedule and how will the other elements of the program be financed?

N/A.

11. Are the preparatory studies (including final design studies and other documents) required for project execution of a quality and completeness that are sufficient to evaluate the actual technical and financial feasibility of the project and will allow its subsequent implementation, or are complementary studies required?

The detailed project design of SP in 2014 was prepared by consultant. Document has been considered to be of relevant quality and completeness to evaluate technical and financial feasibility of the Subproject.

12. Is the technical quality of the documents consistent with standard engineering practices?

The Rehabilitation works will be under the World Bank Works Conditions and all the documents will be in consistent with standard engineering practices with existing Georgian regulations and relevant international standards.

13. Are the cost estimates reliable and do they allow determination of the project cost with a reasonable degree of certainty?

Cost estimates used in the Detail Design of the Subproject are consistent with prices prevailing in Georgian market.

14. Are the implementation time estimates realistic?

The duration of the SP construction activity is planned to take place during 15 months and calculations are made for the cases if the project zone and weather do not hinder the uninterrupted implementation of the construction works.
15. What are the tangible and intangible benefits of the project? Have they been adequately determined and evaluated?

The main benefits from the SP implementation will be the improvement of the traffic situation and living conditions of local population. The SP will have the following tangible and intangible benefits:

A. Tangible

Improvement of the traffic situation

- Improvement of the communication;
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Plan (Nikea Street)

![Plan (Nikea Street)](image)

Pictures (Nikea street)