

Signing of Japanese ODA Loan Agreement with Georgia

--Road Infrastructure to Assist with Regional Economic Development and Post-war Rehabilitation--

1. On December 16, JICA (President: Sadako Ogata) signed a Japanese ODA loan agreement with Georgia in the capital of Tbilisi for up to 17.722 billion yen for the East-West Highway Improvement Project. This will be the second project in Georgia funded with a Japanese ODA loan, and the first since funding the FY1997 Power Rehabilitation Project for 5.332 billion yen 12 years ago.
2. The East-West Highway Improvement Project will contribute to the economic development and post-war rehabilitation of Georgia by strengthening the transportation capacity with the construction and repair of roads and bridges between Zestafoni and Samtredia on the East-West Highway. Traversing the country, the highway is a part of the East-West Corridor, an important part of the international transportation network between the Black and Caspian Seas as well as Europe and Asia. The loan will be allocated to the civil works required for building and repairing roads and bridges, the procurement of materials and equipment, and consulting services such as detailed design, tender assistance and construction supervision.
3. Two months after the armed clash with Russia that erupted in South Ossetia in August 2008, Japan announced it would provide up to 200 million US dollars at the Georgia Donor's Conference. This project is the first initiative arising from that announcement.
4. Georgia occupies a geopolitically critical position at the crossroads between Asia and Europe as well as Russia and the Middle East. Even during the Soviet era, progress was made in Georgia toward democratization and a market economy. Particularly subsequent to the Rose Revolution of 2003, great strides have been made in curbing government corruption while rapidly rising from a ranking of 112 among the world's nations for the ease of doing business in 2005 to 18 in 2007 according to an assessment by the World Bank. Not only is Georgia an attractive target for private investment, but supporting stable development is important for Japan in view of the need to ensure a safe supply of oil through the pipeline that passes across this geopolitically vital nation.
5. The East-West Highway covers ground that was a vital part of the transportation network for the Silk Road, and continues to play an essential role in the transportation of goods to Armenia and Azerbaijan as well as the Caucasus region overall. The poor state of infrastructure, however, hinders the transport of both goods and people throughout the region. While the World Bank and other organizations have provided assistance for repairs in some areas, that assistance has been limited. For Georgia to adequately draw on its geopolitical advantages, it is vital that unimproved areas be developed so that the East-West Highway can function as a part of the international corridor and the regional economy can grow.
6. With an emphasis on nation-building in Georgia in a way that maximizes the potential of its geopolitical advantages, JICA is proactively providing assistance using grant aid and technical cooperation based on Japan's rich storehouse of experience in addition to assisting with this project.



The present conditions of the road which will be build by the project

Reference: Loan Amount and Terms

Reference

1. Loan Amount and Terms

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)	Repayment Period /Grace Period (years)	Grace Period (years)	Procurement
East-West Highway Improvement Project	17,722	0.65* 0.01**	40/10* 40/10**	10	Untied

* This Japanese ODA loan proactively support peace-building efforts in Georgia, preferential concessional loan terms are applied.

** Applied to consulting services.

2. Executing agency

Roads Department of the Ministry of Regional Development and Infrastructure of Georgia

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3. Planned Implementation Schedule

(1) Completion of project: September 2013 – when service begins

(2) Issuing of letters of invitation for consulting services for this and other projects: November 2009 (already sent)

(3) Tender announcement for initial procurement package for international competitive bidding on project construction:

Procurement package title: Kutaisi Bypass

Planned for: April 2010