



W. 8547-GE

Supplemental Letter No. 2

GEORGIA

February 10, 2016

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Re: Loan No. 8547-GE
(East-West Highway Corridor Improvement Project)
Performance Monitoring Indicators

Dear Sirs and Mesdames:

This refers to the provisions of Section II.A of Schedule 2 to the Loan Agreement of this date between the International Bank for Reconstruction and Development and Georgia (Borrower) for the above-captioned Project.

The Borrower hereby confirms to the Bank that the indicators set forth in the attachment to this letter shall serve as a basis for the Borrower to monitor and evaluate the progress of the Project and the achievement of the objectives thereof.

Very truly yours,

GEORGIA

By 
Authorized Representative

Attachment

**GEORGIA: East-West Highway Corridor Improvement Project
Performance Monitoring Indicators
Results Framework**

Project Development Objectives											
PDO Statement											
The proposed PDOs are to: (i) reduce road user costs along the section upgraded under the project; and (ii) strengthen the capacity of the Roads Department and the Ministry of Economy and Sustainable Development to respectively manage the road network and provide an enabling environment to improve logistics services.											
Project Development Objective Indicators											
Indicator Name	Core	Unit of Measure	Baseline	Cumulative Target Values					Frequency	Data Source Methodology	Responsibility for Data Collection
				YR1	YR2	YR3	YR4	End Target YR5			
1. Travel time from Zemo Osiauri – km 5.8 to Chumateleti		Minutes	12	12	12	10	6	6	Annually	Semi-annual progress report	RD
2. Vehicle Operating Costs from Zemo Osiauri – km 5.8 to Chumateleti (cars)		US\$/km	0.24	0.24	0.24	0.23	0.21	0.21	Annually	Semi-annual progress report	RD
3. Vehicle Operating Costs from Zemo Osiauri – km 5.8 to Chumateleti (trucks)		US\$/km	0.63	0.63	0.63	0.58	0.50	0.50	Annually	Semi-annual progress report	RD
4. Asset value of the East West Highway corridor from Tbilisi to Sarpi (GEL Million)		GEL million	812	1,247	1,587	1,587	2,771	4,880	Semi-annual	Semi-annual progress report	RD
5. National Logistics Program adopted by MOF			No	Yes	Yes	Yes	Yes	Yes	Annually	Annual progress report	MESD

Intermediate Results Indicators											
Indicator Name	Core	Unit of Measure	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection
				YR1	YR2	YR3	YR4	End Target YR5			
Intermediate Result 1: Improvements to the East-West Highway Corridor											
1. Roads constructed, non-rural	<input checked="" type="checkbox"/>	Kilometers	0	0	0	6	8	8	Annually	Semi-annual progress report	RD
Intermediate Result 2: Strengthening Institutional Capacity											
2. RD/ITS staff (5) staff trained in ITS services management and monitoring		Number	0	0	2	3	4	5	Annually	Semi-annual progress report	RD
3. Key ITS equipment installed on selected and prioritized East-West Highway locations		Percentage	0	0	0	50%	75%	100%	Annually	Semi-annual progress report	RD
4. Road users satisfied with quality of road and services provided along the highway		Percentage	To be determined the first year	-	40%	50%	60%	80%	Annually	Annual progress report	RD
5. Public/Private Steering Committee created and operational			No	Yes	Yes	Yes	Yes	Yes	Annually	Annual progress report	MESD

6. Key legislation/measures to provide an enabling environment to enhance logistics services drafted			No	No	No	No	Yes	Yes	Annually	Annual progress report	MESD
7. Studies to support logistics sector development completed			No	No	No	Yes	Yes	Yes	Annually	Annual progress report	MESD
8. MESD staff (8) trained in relevant areas in logistics		Number	0	0	2	3	5	8	Annually	Annual progress report	MESD

B/Indicator Description

Project Development Objective Indicators

Indicator Name	Description (indicator definition etc.)	Remarks
Travel time measured by a proxy variable - average vehicle speed, km/hour	Road user costs are measured by travel time savings that are function of the average vehicle speed on the project roads.	
Vehicle operating costs for cars, US\$/km	Road user costs are measured by vehicles operating costs for cars on the project roads. The indicator includes the costs of car usage, including fuel, tires, maintenance, repairs and depreciation costs.	
Vehicle operating cost for trucks, US\$/km	Road user costs are measured by vehicles operating costs for trucks on the project roads. The indicator includes the costs of truck usage, including fuel, tires, maintenance, repairs and depreciation costs.	
Asset value of the entire East West Highway corridor	The asset value is measured by calculating the increases in asset value by section from 2015 (baseline) to 2020, based on the highway network status in 2020 (target). Cf. below section C/ "Basis for calculation of the asset value"	
National Logistics Program adopted by MOF	The Program will identify key priority actions to be developed and implemented in Georgia in the freight transport and logistics sector, based on the results from all existing relevant studies. This Program will be adopted by the Ministry of Finance.	

Intermediate Results Indicators

Indicator Name	Description (indicator definition etc.)	Remarks
Length of constructed roads	No description provided.	
RD/ITS staff (5) staff trained in ITS services management and monitoring	Number of staff from RD who received adequate training in ITS services management and monitoring.	
Key ITS equipment installed on selected and prioritized East-West Highway locations	The percentage of equipment installed on selected and prioritized locations of the East West Highway, based on the ITS action plan developed under EWHIP-4. This action plan will provide recommendations on specific equipment to be deployed along the highway in different phases. EWHCIP will support the first phase of the action plan.	

Road users satisfied with quality of road and services provided along the highway (from Tbilisi to Sarpi)	The percentage of respondents who are satisfied with the quality of highway road sections and services provided. The level of satisfaction of road users will be assessed through road users' satisfaction surveys to be carried out annually (in a gender disaggregated manner). The survey will be performed online and/or on site, and will include specific questions to measure the level of road users satisfaction related to ITS services provided by RD. The baseline indicator will be obtained from the first road users' satisfaction survey to be completed by June, 2016.	
Public/Private Steering Committee created and operational	No description provided.	
Key legislation/measures to provide an enabling environment to enhance logistics services drafted	No description provided.	
Studies to support logistics sector development completed	No description provided.	
MESD staff (8) trained in relevant areas in logistics	Number of staff from MESD who received adequate training in logistics.	