The World Bank
Supporting Sustainable Wastewater Management (P145040)

REPORT NO.: RES42102

DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
SUPPORTING SUSTAINABLE WASTEWATER MANAGEMENT
APPROVED ON JULY 12, 2013
TO
GEORGIA

URBAN, RESILIENCE AND LAND
EUROPE AND CENTRAL ASIA

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I. BASIC DATA

Product Information

<table>
<thead>
<tr>
<th>Project ID</th>
<th>Financing Instrument</th>
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<tr>
<td>P145040</td>
<td>Investment Project Financing</td>
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<table>
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<tr>
<th>Original EA Category</th>
<th>Current EA Category</th>
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<tr>
<td>Partial Assessment (B)</td>
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<table>
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<tr>
<th>Approval Date</th>
<th>Current Closing Date</th>
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<td>12-Jul-2013</td>
<td>15-Jun-2020</td>
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Organizations

<table>
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<tr>
<th>Borrower</th>
<th>Responsible Agency</th>
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<tr>
<td>Georgia</td>
<td>Georgia Municipal Development Fund</td>
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Project Development Objective (PDO)

Original PDO

The objective of the Project is to promote sustainable wastewater management in Georgia and pilot the implementation of wastewater treatment plants.

Summary Status of Financing

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<th>Ln/Cr/Tf</th>
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<th>Net Commitment</th>
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Policy Waiver(s)

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

No

I. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES
1. In response to the Ministry of Finance’s request of June 5, 2020, this Restructuring Paper seeks a four-month extension of the closing date of the Grant Agreement for the Sustainable Wastewater Management Project (SWMP) from June 15, 2020, to October 15, 2020. The extension is required to allow completion of Project-supported investments for the rehabilitation of two wastewater treatment plants (WWTP) that were delayed due to disruptions caused by COVID-19 to international trade and logistics as well as lockdown measures introduced in Georgia from the beginning of March to mid-May 2020 that included suspension of civil works and construction activities on project sites.

2. The proposed extension of the closing date will not require an amendment to the Administrative Agreement with the Donor (Swedish International Development Cooperation Agency, SIDA). Instead, the proposed four-month extension will reduce the grace period from 6.5 months to 2.5 months, allowing two weeks for the Beneficiary to complete all transactions and payments and two months for the Bank to close the corresponding Trust Fund. This approach has been agreed with the Beneficiary and cleared by DFI and WFA.

3. This will be the third extension of the project closing date. As the cumulative extensions exceed two years from the original closing date, approval is required by the Regional Vice President.

4. The restructuring will not result in any changes to the PDO or PDO indicators. The Results Framework will remain unchanged.

5. The Project’s components and Project institutional arrangements will also remain unchanged. The Project implementation plan and disbursement plan would be updated to reflect the extended Project closing date.

6. The Project restructuring does not affect the Project scope and scale of physical works supported by the Project and does not have any impact on environmental and social safeguards.

Project Overview

7. The Project’s Development Objective (PDO) is to promote sustainable wastewater management in Georgia and pilot the implementation of wastewater treatment plants. The Project finances two Components: (1) Technical Assistance (TA) to facilitate the development of the regulatory framework for improved wastewater treatment infrastructure, capacity building activities and trainings, policy for sludge management, preparation of feasibility studies, engineering designs, construction supervision, monitoring and evaluation activities and provision of technical assistance to the Project Implementing Entity and the United Water and Sewage Company of Georgia (UWSCG); and (2) Investment Grants to pilot the implementation of wastewater treatment plants (WWTPs) which envisage financing of rehabilitation of two WWTPs located in Telavi and Tskaltubo municipalities.

8. SIDA approved a grant for the Sustainable Wastewater Management Project on July 12, 2013, in the amount of USD 9,252,155. The grant became effective on August 15, 2013, with an original closing date of December 31, 2015. The SWMP was the only activity to be financed by this grant. The Project was appraised in June 2015 and, following its appraisal, SIDA allocated an additional USD 800,000 equivalent to the SWMP, due to changes in project design that increased the project costs, bringing the total grant amount to USD 10,052,155. SIDA also agreed to extend the grant closing date to June 30, 2018.
9. The Project, being the first of its kind in Georgia, faced some implementation challenges including delays in design and construction works. This necessitated an extension of the closing date from June 30, 2018 to February 28, 2020 to allow sufficient time to ensure the two WWTPs become operational. Despite accelerated WWTP construction, only 90 percent of civil works have been completed by February 2020, and an additional short extension of the grant closing date was required to ensure complete closeout of all remaining WWTP rehabilitation works which were critical for the achievement of the SMWP objectives, and the closing date was further extended to June 15, 2020.

Project Status

10. Following the latest restructuring, the SMWP ratings on progress towards achieving the PDO and overall implementation progress were upgraded from Moderately Unsatisfactory to Moderately Satisfactory in light of good progress on site as observed by the Bank team. As of June 1, 2020, disbursements reached USD 9.32 million (or 92.7 percent of the total grant amount) with the outstanding amount of USD 0.73 million committed for the remaining WWTP works. To date, all planned TA activities under Component 1 have been completed except for the development of two strategies - the National Sludge Management and National Discharge Limits Strategy – that are ongoing and expected to be finalized by June 15, 2020. As for Component 2, the execution of civil works at both WWTP sites has also been advanced. The essential parts of contracts such as anaerobic ponds, secondary sedimentation tanks, trickling filters, and concrete works are now completed. Electrical works, operations building, and sludge drying beds are completed at 95 percent.

Rationale for Restructuring

11. While the works at both WWTP sites were progressing, construction started to lag the planned work schedules due to delays caused by the COVID-19 pandemic and state of emergency declared in Georgia and many other European countries. Emergency measures introduced by the Government to prevent the expansion of the Coronavirus included the introduction of border restrictions which impacted international trade and logistics, and temporary suspension of all construction works and non-essential business activities. This resulted in reduced activities of suppliers and movement of goods and people throughout the country and led to delays in the delivery of purchased equipment needed for completion of WWTP contracts. Furthermore, the pace of works slowed down to adjust to the lockdown measures and curfew restrictions.

12. The status in terms of remaining works at the WWTP sites is as follows. In Telavi, the main remaining activities relate to electrical works (SCADA system) which require final installation of the related equipment by a team of international experts (which need to travel from Romania), and completion of procurement of small amount of goods (media filters) which need to be imported from Turkey. In Tskaltubo, the main inlet pipe remained to be constructed. In both sites, smaller civil works, such as fences on the perimeter, internal roads, and sidewalks, outdoor lighting and landscaping should be completed. According to the latest workplan which takes into account the slowdown of construction works due to COVID-19, all remaining activities can be completed by July 31, 2020, which goes beyond the current grant closing date of June 15, 2020. The Contractor also noted that this workplan is contingent upon the opening of borders and builds on the assumption that international flights and shipment will resume on July 1, 2020 to allow bringing the required technical staff and remaining goods from abroad.

13. In light of the above, the Municipal Development Fund (Project Implementing Agency) and the Bank discussed a revised project implementation timeline that is based on the workplan prepared by the Contractor and takes into consideration the restrictions imposed by the COVID-19 outbreak. Given the contingencies and uncertainties imposed by COVID-19 crisis, it was agreed that, while the Contractor is planning to complete all construction works by the end
of July 2020, the grant closing date would be extended for four months from June 15, 2020 to October 15, 2020 so as to increase the likelihood for completion of all construction works and successful commissioning of both WWTPs.

II. DETAILED CHANGES

**LOAN CLOSING DATE(S)**

<table>
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<tr>
<th>Ln/Cr/Tf</th>
<th>Status</th>
<th>Original Closing</th>
<th>Revised Closing(s)</th>
<th>Proposed Closing</th>
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