The Government of Georgia has in recent years invested 15% of one year’s GDP in upgrading the East West Highway to inter-national motorway standards. A grant from the GIF is currently assisting the analysis of road user charging and O&M business models applicable to both this key trade route and national transport backbone as well as subsequent roll out to the rest of the country’s strategic road network.

**EXPECTED PROJECT OUTCOMES**

- Provide a high quality, data driven, set of models to inform decisions over tolling strategy and contracting options;
- Bring international experience, along with understanding of the local context, to present a range of potential solutions to the GoG;
- Explain key actions GoG could take to maximize the value of the Corridor for the country, including consideration of business models and risk assignment;
- Show a clear pathway to a viable set of transactions necessary to implement the Project as soon as practically possible.
BACKGROUND

In Georgia, the Ministry of Regional Development and Infrastructure (MRDI), is responsible for planning road infrastructure, while the management of the international/ national/ secondary and local roads is the responsibility of the Roads Department (RD) and the municipalities respectively.

The main road network includes around 22,000 km with 1,564 km of national and international roads (including the East West Highway Corridor), 5,446 km of secondary roads and around 15,000 of local roads. While most of the international roads are in good condition, secondary and local roads are in a much-derated state as there is a lack of maintenance funding.

As Georgia has limited experience in the road sector for road operation and maintenance, the government is now taking active steps to attract more investments. In 2014, the government started working on creating a new PPP legislation. In 2016, Georgia presented a new PPP policy document, which is the basis for a regula- tory legal framework for PPPs in Georgia.

The East West Highway Corridor in Georgia runs from the Red Bridge (Azerbaijan border) to Sarpi (Turkish border) for more than 410 kms. Sound development and management of this corridor is crucial to improve transit and trade in the country and wider region as it carries over 60 percent of foreign trade and is part of European Route E60, linking Central Asia and Iran with Russia, Turkey and Europe.

PROJECT FEATURES

The activity’s objective is to support the Ministry of Regional Development and Infrastructure of Georgia in assessing the options available to attract private sector investment and participation for the operation and maintenance of the East-West Highway Corridor and then, if proven viable, prepare and structure a transaction. The Ministry is focused on ensuring there is a long-term operating and maintenance model in place, creating a funding mechanism and introducing the “user-pay” principle to close the funding gap that is common on many regional/ transcontinental corridors.

WHY GIF

A GIF Project Definition Activity grant will support its technical partner, the World Bank, analyze possible ways to establish an electronic road user charging system that would allow for long term, sustainable operation and maintenance of the highway, the country’s most important one.

GIF support includes:

- Undertaking a traffic and revenue study to gain a deeper understanding of existing and future demand over the corridor.
- Developing a long-term life-cycle costing plan for the corridor.
- Assessing the likely cashflows of the project, including an assessment of the return to the Government resulting from significant investment in the corridor.
- Evaluating the comparative feasibility of installing a number of e-tolling technologies.
- Analyzing a range of different business models for contracting the required tolling and O&M services to deliver the complete plan.

Support from the GIF, both financial resources and expertise, is a key contributor towards the development of this project. With little experience in securing sustainable, long term private investment and participation in the nation’s transport infrastructure, this would be the first concession or public-private partnership in the road sector in Georgia and potentially one of the first applications of road user charging nationwide.