

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall maintain the Supervisory Board of the Project Implementing Entity, chaired by the Prime Minister of Georgia, with responsibilities including *inter alia*: (a) overall supervision of the implementation of the Project; (b) inter-agency coordination to achieve the Project objective; and (c) review and approval of the annual work programs' budgets and reports for the operation of the Project Implementing Entity.
2. The Borrower shall cause the Project Implementing Entity to:
 - (a) prepare, in accordance with terms of reference satisfactory to the Bank, an operation manual ("Operation Manual") setting out the operational and administrative procedures for Project implementation including: (i) procurement and financial management procedures; (ii) eligibility criteria for the selection of Investment Subprojects in Participating LSGs; (iii) terms and conditions for Investment Subproject Financing; (iv) procurement and implementation of Investment Subprojects; (v) the staffing, management and responsibilities of the Project Implementing Entity; (vi) implementation of the ESMF; (vii) implementation of the RPF; and (viii) establishment and implementation of a grievance redress mechanism;
 - (b) carry out the Project in accordance with an Operation Manual that has been approved by the Bank; and
 - (c) furnish to the Bank for its prior approval, any proposed amendment to the provisions of the Operation Manual and, thereafter, put into effect such amendment as shall have been agreed with the Bank.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Borrower shall make the proceeds of the Loan available to the Project Implementing Entity, on a grant basis, pursuant to a subsidiary agreement to be signed by the Borrower, through MOF and MRDI, and the Project Implementing Entity, with terms and conditions approved by the Bank ("Subsidiary Agreement").
2. The Borrower shall exercise its rights and carry out its obligations under the Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend,

abrogate, waive, fail to enforce or terminate the Subsidiary Agreement or any of its provisions.

C. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Safeguards

Environmental Management

1. The Borrower shall cause the Project Implementing Entity to carry out the following:

- (a) (i) Implement the ESMF (including, carrying out Environmental, Social and Cultural Resource Screenings, as well as Environmental and Social Review, as required) and the environmental management plans prepared pursuant thereto, all in a manner satisfactory to the Bank and necessary to ensure that the Project is implemented in accordance with sound environmental practices and standards; and (ii) prior to initiation of the procurement of works concerned, prepare and disclose, and carry out stakeholder consultation on, the environmental management plan satisfactory to the Bank and thereafter, said EMP shall be submitted along with the draft bidding documents for the procurement of said works and form part of the tender documents.
- (b) Provide to the Bank for its prior review any revision proposed to be introduced into any of the ESMF or EMPs, as the case may be, in order to achieve their respective objectives, and thereafter introduce such revision into the documents as shall have been agreed with the Bank.
- (c) Maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Bank, the implementation of the Environmental and Social Management Framework and EMPs and the achievement of their respective objectives.

Resettlement

2. The Borrower shall cause the Project Implementing Entity to carry out the following:

- (a) (i) Wherever implementation of the Project, any Investment Subproject, or any part thereof, would give rise to Affected Persons, provide to the Bank for its review, resettlement action plans prepared in accordance with the principles and procedures set forth in the RPF

and, thereafter, implement in a manner satisfactory to the Bank, such resettlement action plans as shall have been accepted by the Bank as being satisfactory; and (ii) works on any specific Project site that give rise to Affected Persons shall not commence until the respective RAP is fully implemented in a manner satisfactory to the Bank.

- (b) Provide to the Bank for its prior review, any revision proposed to be introduced into the RPF or RAP, as the case may be, to achieve the respective document's objectives, and thereafter introduce such revision into such document as shall have been agreed with the Bank.
- (c) Maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Bank, the implementation of the RPF and RAPs, and the achievement of their respective objectives.

Grievance Redress Mechanism

- 3. The Borrower shall cause the Project Implementing Entity to establish and implement, throughout the Project implementation, an easily accessible grievance redress mechanism, acceptable to the Bank, to address feedback and grievances relating to the Project as set forth in the Operation Manual.

International Waterways

- 4. The Borrower shall cause the Project Implementing Entity to ensure, when any activity under an Investment Subproject will involve any international waterway (as defined in the Bank's Operational Policy 7.50), that:
 - (a) such activity shall be limited to ongoing schemes, projects involving additions or alterations that require rehabilitation, construction, or other changes that: (i) will not adversely change the quality or quantity of water flows to the other riparian; and (ii) will not be adversely affected by the other riparian's possible water use; and
 - (b) such activity shall be limited to only minor additions or alterations to the ongoing scheme and it does not cover works and activities that would exceed the original scheme, change its nature, or so alter or expand its scope and extent as to make it appear new or different scheme.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

The Borrower shall cause the Project Implementing Entity to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators acceptable to the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than one month after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained, a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. The Borrower shall cause the Project Implementing Entity to prepare and furnish to the Bank not later than forty-five (45) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.
3. The Borrower, through the Project Implementing Entity, shall have the Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

Section III. Procurement

A. General

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan:

Procurement Method	
(a)	National Competitive Bidding, subject to the additional provisions set forth in below: <ol style="list-style-type: none">(i) "Open competitive procedures" (i.e. "public tender") shall be the default rule. A single envelope procedure shall be used for the submission of goods, works, or non-consulting services.(ii) Invitations to bid shall be advertised in at least one widely circulated national daily newspaper allowing a minimum of thirty (30) days for the preparation and submission of bids. Advertisements published in foreign language newspapers shall be in compliance with such a 30-day-minimum in number of days for bids preparation and submission.(iii) Bidding shall not be restricted to pre-registered firms. If registration is required, it shall not be denied to eligible bidders for reasons unrelated to their capacity and resources to successfully perform the contract (e.g., mandatory membership in professional organizations, classification, etc). Post-qualification shall be conducted to verify that the bidder has the capability and resources to successfully perform the contract.(iv) Borrower-owned enterprises in Georgia shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the Borrower. Borrower-owned enterprises will be subject to the same bid and performance security requirements as other bidders.(v) Procuring entities shall use the appropriate Bank's sample bidding documents, including pre-qualification documents,

Procurement Method	
	for the procurement of goods, works, or non-consulting services, and such documents shall contain draft contract and conditions of contract including clauses on fraud and corruption, audit and publication of award, all acceptable to the Bank.
(vi)	Bids shall be opened in public immediately after the deadline for submission of bids. Bidder's representatives shall be permitted to attend the bid opening.
(vii)	Extension of bid validity shall be allowed once only for not more than thirty (30) days. No further extensions should be requested without the prior approval of the Bank.
(viii)	Evaluation of bids shall be based on quantifiable criteria expressed in monetary terms as defined in the bidding documents, no merit point system and no domestic preference shall be used in the evaluation of bids. Contracts shall be awarded to qualified bidders having submitted the lowest evaluated substantially responsive bid and no negotiations shall be carried out prior to contract award.
(ix)	Civil works contracts of long duration (e.g. more than eighteen (18) months) shall contain an appropriate price adjustment clause.
(x)	No bid shall be rejected purely on the basis that the bid price is higher than the estimated budget for that procurement. All bids shall not be rejected and new bids solicited without the Bank's prior concurrence.
(b) Shopping	
(c) Direct Contracting	

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan:

Procurement Method	
(a)	Quality-Based Selection
(b)	Selection under a Fixed Budget
(c)	Least Cost Selection
(d)	Selection Based on Consultants' Qualifications
(e)	Single-Source Selection of consulting firms
(f)	Procedures set forth in paragraphs 5.1-5.5 of the Consultant Guidelines for the Selection of Individual Consultants
(g)	Single-source procedures for the Selection of Individual Consultants
(h)	Selection of United Nation Agencies

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (expressed in US\$)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consultants' services and Training	59,050,000	80%
(2) Operating Costs	800,000	80%
(3) Front-end Fee	150,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(4) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 2.08(c) of this Agreement
TOTAL AMOUNT	<u>60,000,000</u>	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed US\$12,000,000 equivalent, may be made for payments made prior to the date of this Agreement but on or after April 11, 2015, for Eligible Expenditures under Category (1).
2. The Closing Date is December 31, 2019.

SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share"). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal

Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each June 15 and December 15 Beginning December 15, 2029, through December 15, 2039	4.55%
On June 15, 2040	4.45%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
 - (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
 - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.
- (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal

Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.