

**AMENDMENT NUMBER FIVE  
TO**

**Assistance Agreement between the United States of America and Georgia  
for Energy Infrastructure Expansion**

**USAID Assistance Agreement No. AAG-114-G-10-00001**

**September 18, 2015**

AMENDMENT NUMBER FIVE to the Assistance Agreement between the United States of America, acting through the United States Agency for International Development ("USAID") and Georgia, acting through the Ministry of Finance of Georgia (hereinafter referred to as the "Grantee") for Energy Infrastructure Expansion, dated as of February 25, 2010 (referred to herein as the "Agreement").

WHEREAS, on February 25, 2010, the Grantee and USAID entered into the Assistance Agreement to accelerate the expansion of energy infrastructure as described in Annex I (the "Amplified Description") to the Agreement; and

WHEREAS, USAID and the Grantee desire to amend the Agreement in order to extend the completion date to September 30, 2018 and to add new activities to Annex I to the Agreement ("Amplified Description") and update the financial plan included in that Annex;

NOW, THEREFORE, the Parties to the Agreement hereby agree that the Agreement shall be amended as follows:

1. In Article 4(a), the date "September 30, 2015" is deleted in its entirety and replaced with "September 30, 2018."
2. Annex I, Section V to the Agreement ("Amplified Description") is amended to add the following to the end of subsection (a) "Facilitated Hydropower Investment":

"Technical assistance will also be provided to help Georgia promote open markets in the energy sector in line with the European Union's directives as stipulated in the Third Package of the Energy Community. Activities may include: legislative support for consolidating and simplifying market rules, support for the preparation of draft electricity transit rules and a compensation scheme; support for the preparation of draft regional ancillary services market rules; legal and regulatory support for a licensing and monitoring framework in line with the Georgia Electricity Market Model and competitive market principles; technical assistance to distribution service operators (DSOs) for proper planning and operations and maintenance; support for drafting a legislative framework for functioning distribution system operations; support for the consideration of a single or multiple DSOs to ensure integration of small and medium sized hydro power plants, wind, and solar plants to the transmission grid and dispatch of energy through the transmission systems and cross-border export connections; technical assistance to the Georgian National Electricity Regulatory Commission and DSOs to start a dialogue with all stakeholders for the separation of distribution networks from supply services; and

finally support to GNERC and other Government of Georgia institutions in building capacity to meet key gaps in compliance with energy community membership.”

3. Annex I, the table entitled “USAID FINANCIAL PLAN: ENERGY INFRASTRUCTURE EXPANSION ASSISTANCE AGREEMENT” is deleted in its entirety and the following is substituted therefore:

Objective and Activities	Cumulative Obligated Amount (Previous)	Cumulative Obligated Amount (Current)	Difference	Contribution Outside Agreement*	Amount Remaining to be Obligated	Total Estimated Contribution
Economic Growth Objective Infrastructure Area, Modern Energy Services						
Electricity Transmission Upgrade, Reconstruction and Operation	\$28,000,000	\$34,657,706	\$6,657,706	\$0	\$0	\$34,657,706
Gas Transit Infrastructure Construction, Replacement and Rehabilitation	\$78,029,628	\$61,508,541	\$-16,521,087	\$0	\$0	\$61,508,541
Hydro Investment Promotion	\$8,000,000	\$12,868,309	\$4,868,309	\$1,727,344	\$0	\$14,595,653**
Georgia Clean Energy Initiative	\$4,652,670	\$4,651,706	\$-964	\$0	\$0	\$4,651,706
Engineering & Oversight	\$8,970,372	\$13,953,418	\$4,983,046	\$0	\$0	\$13,953,418
Program Support	\$760,000	\$772,990	\$12,990	\$0	\$0	\$772,990
<b>Total</b>	<b>\$128,412,670</b>	<b>\$128,412,670</b>	<b>\$0</b>	<b>\$1,727,344</b>	<b>\$0</b>	<b>\$130,140,014**</b>
<p>*Although not obligated directly into the Agreement, these are USAID contributions to the Hydropower Investment Promotion program obligated directly into implementing agreements. Accordingly, though not counted towards obligated amount, these amounts are counted as part of USAID's Total Estimated Contribution in support of the Energy Infrastructure Expansion Assistance Agreement. These directly obligated contributions consist of: NARUC - \$175,000; Black Sea Initiative - \$442,344; SynEnergy - \$180,000; Hydro Investment Promotion - \$930,000; and Total: \$1,727,344</p> <p>** Includes contributions outside the Assistance Agreement.</p>						

IN WITNESS WHEREOF, the United States of America and Georgia, each acting through its duly authorized representative, have caused this Amendment Number Five to be signed in two copies in their names and delivered as of the day, month and year first written above:

UNITED STATES OF AMERICA

GEORGIA

By: Thomas R. Morris

By: Nodar Khaduri

Name: Thomas R. Morris  
Title: Acting Mission Director  
USAID/Caucasus

Name: Nodar Khaduri  
Title: Minister of Finance of Georgia

*W*

**Assistance Agreement**

**Principal Text.**

USAID Assistance Agreement No. AAG-114-G-10-00001

ASSISTANCE AGREEMENT  
BETWEEN THE  
UNITED STATES OF AMERICA  
AND  
GEORGIA  
FOR  
ENERGY INFRASTRUCTURE EXPANSION

February 25, 2010

**Fiscal Data:**  
Budget Plan Code: EC-SUP/2009/2010 & NI-SUP/2008/2010  
Objective: Economic Growth  
Program Area/Element: A17/AO69  
Amount Obligated: \$120,000,000  
Grant Number: AAG-114-G-10-00001

Assistance Agreement

Table of Contents

Article 1: Purpose.

Article 2: Functional Objective, Program Areas and Program Elements.

- Section 2.1. Functional Objective, Program Areas.
- Section 2.2. Program Elements.
- Section 2.3. Annex 1, Amplified Description.

Article 3: Contributions of the Parties.

- Section 3.1. USAID Contribution.
- Section 3.2. Grantee Contribution.

Article 4: Completion Date.

Article 5: Conditions Precedent to Disbursement.

- Section 5.1. First Disbursement.
- Section 5.2. Additional Disbursement.
- Section 5.3. Notification.
- Section 5.4. Terminal Dates for Conditions Precedent.

Article 6: Special Covenants.

Article 7: Miscellaneous.

- Section 7.1. Communications.
- Section 7.2. Representatives.
- Section 7.3. Standard Provisions Annex.
- Section 7.4. Amendment
- Section 7.5. Entry Into Force
- Section 7.6. Language of Agreement

Annex 1      Amplified Description  
Annex 2      Standard Provisions

ASSISTANCE AGREEMENT

Dated: February 25, 2010

Between

The United States of America, acting through the United States Agency for International Development ("USAID")

and

Georgia, acting through the Ministry of Finance (hereinafter referred to as the "Grantee")

**Article 1: Purpose.**

The purpose of this Assistance Agreement (the "Agreement") is to set out the understanding of the parties named above (the "Parties") in connection with the Objective described below.

**Article 2: Functional Objective, Program Areas and Program Elements.**

**Section 2.1. Functional Objective, Program Areas.** In order to further the foreign assistance objective of *Economic Growth* (the "Functional Objective") articulated by the Government of the United States of America under the Strategic Framework for United States Foreign Assistance, the Parties hereto agree to work together by focusing on activities in the area of Energy Infrastructure Expansion (the "Program Area" and, together with the Functional Objective, the "Objective").

**Section 2.2. Program Elements.** In order to achieve the Objective, the Parties agree to work together to achieve the following: hydropower investment promotion and development; East-West power transmission rehabilitation; and domestic gas supply line expansion. These Elements, and the Indicators by which progress toward and achievement of the Program Elements will be measured, are further described in Annex 1. Within the limits of the definition of the Functional Objective in Section 2.1, this Section 2.2 may be changed by written agreement of the authorized representatives of the Parties without formal amendment of this Agreement.

**Section 2.3. Annex 1, Amplified Description.** Annex 1, attached, amplifies the above Objective and describes the Program Elements, Program Sub-Elements and Indicators that will be used to measure the progress and achievement in the Program Area. Within the limits of the definition of the Functional Objective set forth in Section 2.1, Annex 1 may be changed by written agreement of the authorized representatives of the Parties without formal amendment of this Agreement.

**Article 3: Contributions of the Parties.**

**Section 3.1. USAID Contribution.**

(a) The Grant. To help achieve the Objective set forth in this Agreement, USAID, pursuant to the Foreign Assistance Act of 1961, as amended, hereby grants to the Grantee under the terms of the Agreement an amount not to exceed one-hundred twenty million United States ("U.S.") Dollars (\$120,000,000) (the "Grant"). The Grant will not take the form of a direct Cash Transfer,

but will be provided in the form of goods and services provided under USAID sub-obligating contracts or grants.

(b) **Total Estimated USAID Contribution.** USAID's total estimated contribution to achievement of the Objective will be U.S. \$124,555,000, which may be provided in increments. Subsequent increments will be subject to the availability of funds to USAID for this purpose and may be provided by USAID upon written notice to the Grantee. The Parties agree that each such incremental contribution provided, if any, shall cumulatively increase the total amount of the Grant set forth in Section 3.1 and consequently may increase the Grantee's contribution under Section 3.2. The Grantee further agrees to acknowledge by written notice to USAID each such incremental contribution, if any.

(c) **Unilateral Deobligation.** If at any time USAID determines that its contribution under Section 3.1(a) exceeds the amount which reasonably can be committed for achieving the Objective, Elements, or a specific activity during the current or next U.S. fiscal year, USAID may, upon written notice to the Grantee, withdraw the excess amount, thereby reducing the amount of the Grant as set forth in Section 3.1(a), or amend Annex 1 to shift USAID funding among Elements or Activities. Actions taken pursuant to this subsection will not revise USAID's total estimated contribution set forth in 3.1(b).

#### Section 3.2. Grantee Contribution.

(a) The Grantee agrees to contribute, during the life of this Agreement, to the objective of energy infrastructure expansion as detailed in Annex 1. The Grantee agrees to provide or cause to be provided all funds, in addition to those provided by USAID, and all other resources required to complete, on or before the Completion Date, all activities necessary to achieve the Objective.

(b) The Grantee's contribution to the objective of the energy infrastructure expansion, based on USAID's contribution in Section 3.1(a), will not be less than the equivalent of U.S. \$ 39,600,000, including in-kind contributions. If USAID increases or decreases the amount of the Grant in Section 3.1(a) incrementally, as contemplated herein, the Grantee's contribution shall increase or decrease with each increment accordingly, such that the Grantee's contribution will not be less than the equivalent of one-third of that portion of the Grant that is used to support activities that either directly provides substantial benefit to the Government of Georgia or involves the direct and substantial involvement of the Government of Georgia in the administration, control or management of such assistance. The precise amount of Grantee contribution shall be indicated in USAID's written notice of each incremental contribution. The Grantee's total estimated planned contribution to the Objective will be subject to availability of funds to the Grantee for this purpose and to USAID providing the total estimated amount in Section 3.1(b). The Grantee will report at least annually in a format to be agreed upon with USAID on its cash and in-kind contributions.

#### Article 4: Completion Date.

(a) The Completion Date, which is March 31, 2013, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all the activities necessary to achieve the Objective will be completed.

(b) Except as USAID may otherwise agree to in writing, USAID will not issue or approve documentation that would authorize disbursement of the Grant for services performed or goods furnished after the Completion Date.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Implementation Letters, are to be received by USAID no later than nine (9) months following the Completion Date, or such other period as USAID agrees to in writing before or after such period. After such period USAID, at any time or times, may give notice in writing to the Grantee and reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Implementation Letters, were not received before the expiration of such period.

**Article 5: Conditions Precedent to Disbursement.**

**Section 5.1. First Disbursement.** Prior to the first disbursement under the Grant, or to the issuance by USAID of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to USAID in form and substance satisfactory to USAID:

(a) An opinion of Ministry of Justice acceptable to USAID that (i) this Agreement has been duly authorized or ratified by, and executed on behalf of the Grantee, (ii) this Agreement constitutes a valid and legally binding obligation of the Grantee in accordance with the law of Georgia, and (iii) all internal actions and approvals necessary to give effect to this Agreement have been obtained by or on behalf of the Grantee; and

(b) A signed statement in the name of the person holding or acting in the office of the Grantee specified in Section 7.2, which designates by name and title any additional representatives each of whom may act pursuant to Section 7.2.

(c) A signed statement in the name of the person holding or acting in the office of the Grantee specified in Section 7.2, which certifies that the Grantee shall meet all of its commitments as stated in Annex I, Article VI.b, Responsibilities of the Parties.

**Section 5.2. Work-Specific Conditions Precedent to Disbursement**

(a) Prior to disbursement by USAID, or to the issuance by USAID of documentation pursuant to which disbursement will be made, for gas pipeline works from Senaki to Poti, the Grantee shall develop a plan for extending these gas supplies to reach the estimated 40,000 intended end-users with which USAID concurs.

(b) Prior to disbursement by USAID, or to the issuance by USAID of documentation pursuant to which disbursement will be made, to initiate construction on a relevant segment of the pipeline or transmission line, the Grantee shall provide written certification from an official with the authority to so state and in a form and substance satisfactory to USAID, that under all applicable law, the Grantee holds all necessary legal rights to all real property required for the completion of the transmission line or pipeline and its continued uninterfered use for the usable life of the USAID funded improvements.

**Section 5.3. Notification.** USAID will promptly notify the Grantee when USAID has determined that a condition precedent has been met.

**Section 5.4. Terminal Dates for Conditions Precedent.**

(a) The terminal date for meeting the conditions specified in Section 5.1 is 90 days from the date of this Agreement or such later date as USAID may agree to in writing before or after the above terminal date. If the conditions precedent in Section 5.1 have not been met by the above terminal date, USAID, at any time, may terminate this Agreement by written notice to the Grantee.

**Article 6: Special Covenants.**

(a) The Grantee, in conjunction with the appropriate Government of Georgia ministries and offices, hereby covenants and agrees to issue, renew and/or extend in a timely manner all official permits, visas, exemptions and any other permissions (including all approvals as may be required from time to time to ensure full access to information, project sites and relevant offices) for the Applicable Persons (as defined below) carrying out activities financed by USAID under this Agreement (collectively, the "Required Documents"). For purposes of this provision, Applicable Persons is defined as: (1) employees and consultants of any contractors, grantees and other organizations carrying out activities financed by USAID under this Agreement and (b) members of such employees' and consultants' households. Any renewals or extensions of such Required Documents that are required, or become required, in order for such employees, consultants and dependent family members to legally reside in Georgia and undertake the activities contemplated by and financed under this Agreement shall also be issued.

(b) Subcommitting, subobligating and disbursing funds. With respect to disbursements made under this Agreement, the Grantee agrees that after satisfaction of the Conditions Precedent set forth in Section 5.1, USAID may subcommit, subobligate and disburse Grant funds available under Section 3.1(a) through such contracts and grants with entities selected by USAID, so long as such actions and disbursements are consistent with the terms and conditions of Annex I (Amplified Description) hereof without any further approval or concurrence.

(c) USAID shall periodically inform the Grantee of all disbursements directly made by USAID under this Agreement, providing the Grantee with the amount(s) and purpose(s) of such disbursement(s). Prior approval of the Grantee, however, shall be required, for all disbursements of Grant funds made directly to the Grantee.

**Article 7: Miscellaneous.**

Section 7.1. Communications. Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram, telefax, cable or electronic mail ("e-mail"), and will be deemed duly given or sent when delivered to such Party at the following address:

To USAID/Georgia: Mission Director  
Mail Address: United States Embassy Georgia  
11 George Balanchine Street  
Tbilisi 0131 Georgia

Alternate address for cables:  
Telefax: (995 32) 544145  
E-mail:

Mail Address: Minister of Energy  
Tbilisi, 2, Baratashvili street, 5<sup>th</sup> floor  
Alternate address for cables: same  
Telefax: +995 32 357828  
E-mail: [mail@minenergy.gov.ge](mailto:mail@minenergy.gov.ge)

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

Section 7.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the Ministry of Energy of Georgia, which is represented by the Minister of Energy or a person acting as Minister, and USAID will be represented by the individual holding the position or acting as Mission Director, each of whom, by written notice, may designate additional representatives for all purposes other than signing formal amendments to the Agreement or exercising the power under Sections 2.2 or 2.3 to revise the Program Elements, Indicators or Annex 1. The names and titles of the additional representatives of the Grantee will be provided pursuant to Section 5.1(b) to USAID, which may accept as duly authorized any instrument signed by such additional representatives (or any individuals subsequent holding or acting in the office of such representatives) in accordance with this Section 7.2, until receipt of written notice of revocation of their authority.

Section 7.3 Standard Provisions Annex. A "Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

Section 7.4. Amendment. Formal Amendments to this Agreement may be agreed upon by the execution of written Amendments by the Parties, and such Amendments shall constitute an integral part of this Agreement.

Section 7.5. Entry Into Force. This Agreement shall enter into force on the date of receipt by the United States, represented by USAID, of Georgia's notification of its consent to be bound as required by Article 5.1(a).

Section 7.6. Language. This Agreement is executed on 25 February 2010 in two copies each of both English and Georgian, with both texts being equally authentic. In the event of ambiguity or conflict between the two versions, the English language version will control.

IN WITNESS WHEREOF, the United States of America and the Grantee, each acting through its duly authorized representatives, have caused this Agreement to be signed in their names and delivered as of the day and year indicated at the beginning of the agreement.

UNITED STATES OF AMERICA

By: 

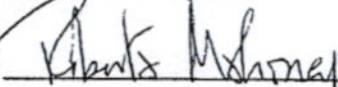
Name: Jose W. Fernandez  
Title: Assistant Secretary of State  
Economic, Energy & Business Affairs

GEORGIA

By: 

Name: Kakha Baïdurashvili  
Title: Minister of Finance

UNITED STATES AGENCY FOR  
INTERNATIONAL DEVELOPMENT

By: 

Name: Roberta Mahoney  
Title: Senior Deputy Assistant Administrator  
Europe & Eurasia

## Annex 1 to Assistance Agreement Amplified Description

### I. Introduction.

This annex describes the activities to be undertaken and the progress and achievements to be made with the funds obligated under this Agreement. Nothing in this Annex 1 shall be construed as amending any of the definitions or terms of the Agreement.

### II. Background.

Reliable and affordable energy is critical to Georgia's economic recovery and growth. The 2008 conflict with Russia highlighted Georgia's vulnerability to potential disruption of energy supplies from the Enguri hydroelectric plant on the border with Abkhazia (which provides 40-45% of Georgia's electricity output in winter, and underscored that dependence on Russian gas imports (historically as much as 70% of Georgia's gas imports) is neither reasonable nor rational. The potential for Georgia to capitalize upon its tremendous hydropower resources is real, proven, and economically viable. Such development will reduce and diversify power and gas imports, and expand power export opportunities to Turkey and other markets – contributing substantively to Georgia's GDP growth. Significant investments are needed however, in energy infrastructure and improved energy technologies to expand generation, develop the domestic power grid, provide interconnections with neighboring markets, reduce waste in energy use, and ensure affordable access for the poor and vulnerable populations to reliable energy services. Restoring and improving investor confidence in Georgia is critical to mobilizing these investments, improving energy security, and creating the conditions necessary for further development of the East-West oil and gas corridor.

### III. Funding.

Financial Plan. The financial plan for the Agreement is set forth in the attached table. Changes may be made to the financial plan by representatives of the Parties by written notice without formal amendment to the Agreement, if such changes do not cause (1) USAID's contribution to exceed the amount specified in Section 3.1 of the Agreement, or (2) the Grantee's contribution to be less than the amount specified in Section 3.2 of the Agreement.

### IV. Program Area, Elements, and Indicators.

- a. Under the Program Area "Energy Infrastructure Expansion", higher level progress will be measured by the following four indicators:
  - i. Ratio of self-generated gas and electric energy (projected) to total amount of gas and electricity consumed (projected). This is a measure that Georgia is increasing its reliance on self-generated energy, and expanding exports of surplus power. The indicator combines measures of increased production capacity, increased transmission efficiency and end-user energy efficiency savings.
  - ii. Number of people with access to modern and reliable energy. This indicator measures the number of people in Georgia who are benefitting from USAID's energy security efforts. Benefits will include increased new access, greater access to reliable energy and, possibly in some cases, decreased consumer prices.

- iii. Amount of newly available energy (projected and actual). This is a measure of the increase in energy production capacity and reduced energy waste resulting from USAID efforts. The vast majority of (projected) increases will come from the development of new hydropower facilities to be under construction by the end of this AA as a result of USAID assistance.
  - iv. Public and private resources (as measured in dollars) leveraged by the USG for energy infrastructure projects. This indicator measures the amount of funds leveraged and committed by others that are used for building hydropower production and energy transmission facilities as a direct function of USAID assistance. Funds for building these facilities are expected from International Financial Institutions, the Government of Georgia, and the private sector.
- b. Three Program Elements will contribute to the Area and Objective. These Elements and subordinate Element-level indicators, are as follows:
- i. Element One: Facilitated Hydropower Investment. Indicators:
    1. Amount of bonds (in \$) on deposit to secure rights for new HPP site development
    2. Resources leveraged (in \$) to conduct HPP studies
    3. New capacity (in MW) under construction as a result of USG assistance.
  - ii. Element Two: Improved Natural Gas Transmission Infrastructure. Indicators:
    1. Throughput capacity of gas transmission system
    2. Km of gas pipeline rehabilitated, replaced, or installed
  - iii. Element Three: Improved Power Transmission. Indicators:
    1. Throughput capacity of power transmission system
    2. Annual number of outages due to failures of East-West power transit network
    3. Annual amount of power losses in transmission system
- V. Activities/Activity Selection.
- a. Facilitated Hydropower Investment (est. \$9.555 Million). Mechanisms will be established to facilitate hydropower investments through the implementation of technical, economical, and environmental studies; investment promotion and marketing; and capacity building initiatives to enable local institutions to lead project preparation efforts and liaise with potential investors. As a result, USG efforts are expected to secure deposits of up to \$70 million for the development of approximately 400 MW of new, clean, carbon-friendly hydropower.
  - b. Improved Natural Gas Transmission Infrastructure (est. \$82 Million). The rehabilitation of two critical segments of the east-west gas pipeline will be completed during the three year strategy period. Reduced gas losses during the transportation and the reliability of gas supply to the populations along the pipeline will increase and gas will be newly available to the city of Poti, Poti's free industrial zone, and to the Black Sea shore recreational zone.

- c. Improved Power Transmission (est. \$33 Million). Reconstruction of critical power transmission infrastructure will be completed under this agreement, including the Senaki-1 (Menji-Tskaltubo) and Senaki-2 (Menji-Didi Kutaisi) power lines. The rehabilitation of existing lines and an increased capacity to manage the system is expected to result in Georgia's capability to route power domestically and export significant volumes of power to Turkey and beyond. This objective will include a capacity building effort to ensure that skills are in place to manage the technological improvements over the longer term. Capacity building efforts for Georgia's State Electrosystems will be directed toward improved power management, transformer fault hazard monitoring, smart grid technology deployment, transmission operation, and trade facilitation. This assistance is expected to increase electricity reliability throughout the power transmission network, reduce energy insecurity and vulnerability, and virtually eliminate the risk of power supply interruption in Georgia.

VI. Responsibilities of the Parties.

a. Government of the United States of America

In addition to providing up to \$124,555,000 for energy infrastructure assistance to include hydropower investment promotion, power transmission line rehabilitation, and gas transmission expansion, the USG will:

- i. As appropriate, allow GRANTEE participation in, and access to information related to, USAID project procurement activities under this agreement, including participation in procurement evaluation panels for major activities. In such an event, the Grantee's representative shall comply with all applicable US law and regulation pertaining to participation in such panels, and may be required to sign appropriate non-disclosure and conflict of interest documents.
- ii. Provide Implementation Letters to inform the Grantee of decisions regarding implementation mechanisms and awards for performance of activities under this AA.
- iii. invite representatives of the Ministry of Energy, Georgia State Electrosystems, and/or the Georgian Oil and Gas Corporation, to participate in all audits required to satisfy USG regulations.
- iv. collaborate with the GRANTEE on monitoring and evaluation procedures related to energy infrastructure assistance.
- v. share with the GRANTEE any USAID-funded environmental assessments related to the assistance.

b. Government of Georgia

- i. The USG-provided energy infrastructure capital investments shall not be incorporated into energy tariff calculation, with the exception of future operations and maintenance costs.
- ii. Except as may be otherwise agreed by the Parties in writing, the Grantee until five (5) years from the date of signature of this Agreement shall not sell or transfer, permit to be sold or transferred, or place or permit to be placed any Lien on, the assets constructed under this Agreement except the sale or transfer of such assets to

- the Georgian Oil and Gas Corporation and/or Georgia State Electric Systems so long as the Grantee maintains a controlling interest in such organizations throughout the duration of the five (5) years from the date of signature of this Agreement.
- iii. The GRANTEE shall maintain and operate each piece of USG-supported energy infrastructure in accordance with European Union (EU) standards until the completion of its agreed-upon useful life or its privatization consistent with paragraph ii. In the event that any USG-provided infrastructure is privatized or otherwise transferred from GRANTEE control, the GRANTEE agrees to obtain a commitment from the buyer or operator to maintain these assets in accordance with EU standards applicable in the time of privatization or transfer.
  - iv. The GRANTEE agrees to comply with Georgian law and any USAID environmental assessment in any USG-funded infrastructure design and/or construction funded by USAID under this Agreement. The GRANTEE agrees to operate and maintain all USG-supported assets in accordance with Georgian environmental standards throughout their useful life. In the event that any USG-supported infrastructure is privatized or otherwise transferred from GRANTEE control, the GRANTEE agrees to obtain a commitment from the buyer or operator to maintain or retire these assets in accordance with Georgian environmental law.
  - v. The GRANTEE shall provide USAID with timely and accurate information necessary for the proper design, construction, operation, maintenance, and monitoring of USG-supported energy infrastructure.
  - vi. Recognizing that an important objective of this program is extending access to gas service to up to 40,000 Georgians, the GRANTEE shall timely extend gas service to citizens and businesses located within reasonable proximity of USG-provided gas pipelines in the area of Poti.
  - vii. The GRANTEE shall commit its best efforts to extend pilot initiatives initiated with the resources subject to this agreement (e.g., grid management and efficiency, hazard detection and monitoring, etc.), provided they are acceptable and cost-reasonable, throughout the Georgia power transmission system.
  - viii. The Grantee shall secure, under all applicable law, all necessary legal rights to all real property required for the completion of the transmission line or pipeline and its continued uninterfered use for the usable life of the USAID funded improvements.
  - ix. For all new hydropower (including, but not limited to that resulting from USAID assistance), the GRANTEE shall ensure sufficient access and capacity is available in the existing power grid to accommodate that power. In addition, the GRANTEE shall agree to provide priority access for this new hydropower on the 400 kv export line to Turkey, within seasonal constraints (e.g., permitting that winter electricity demand is met). The GRANTEE agrees that it will adopt fair and transparent congestion management rules for access to the 400kv line to Turkey at such time as the capacity of the 400kv line is filled, and that it will commit to investigate and construct new export capacity to Turkey should hydropower investments and investment commitments justify doing so.
- (c) Further Intentions of the Government of Georgia. Whereas the components of Georgia's energy infrastructure are intricately interrelated, and the impact of each of USAID's contributions under this activity is dependent upon and enhanced by the broader efforts of

the Government of Georgia; the Government of Georgia expresses the following intentions:

- i. The Grantee commits to refurbish/replace the section of the East-West gas pipeline that is located between the two sections of that pipeline that the USG will refurbish/replace/provide. The Grantee (or other donor)-financed works shall be compatible with the USG-provided pipeline. The Grantee agrees that it will complete design, tender, and environmental compliance documents for the Khashuri-Senaki line and a financing mechanism for these works shall be initiated prior to the completion of USG-funded activities on the East-West pipeline.
- ii. As the operation of the new 500kV power transmission line to Turkey is crucial to the success of USG-funded hydropower investment promotion efforts, the Grantee shall timely fulfill its commitments to the financing, construction, operating, and maintenance of the new 500kV power transmission line linking the Georgian and Turkish electricity grids.
- iii. Regarding energy regulation and market operation:
  1. The Grantee shall develop and maintain fair and transparent rules and regulations (including those governing secondary energy legislation, privatization, site access) in accordance with the EU standards, as appropriate.
  2. The Grantee shall support the autonomy and authority of the Georgian National Energy and Water Regulatory Commission granted to it under Georgian law.
- iv. The GRANTEE commits to continued implementation of reforms aimed at creating framework conditions conducive to the private sector –led growth and to the investment promotion, including transparent and open tax inspections, procurements, and privatization processes, and the fair adjudication of investor interests.

(d) Georgia Cost-Share Contribution

In fulfillment of its commitment under Article 3.2 of the Agreement, Georgia shall select appropriate persons and award contracts to provide cost-share contribution in the form of the following investments in support of the Objective of this Agreement:

Project	Estimated Budget (mln. USD)
110 (220) KV transmission line construction to Poti Free Industrial Zone	4.6
Digital Protection installation in HV substations	2.5
Replacement of major equipment in the HV substations (breakers, current and voltage transformers etc)	8.8
Rehabilitation of Navtlughi 220 KV substation	4.1
Other small-scale rehabilitation works	1.1
Construction of 500 KV OHL to Azerbaijan and relevant works at Gardabani 500 KV substation.	8.5

Construction of 400 KV OHL to Armenia and relevant works at Ksani 500 KV substation.	35.3	
Total for GSE		65.1
GOGC		
Project	Estimated Budget (mln. USD)	
Saguramo - Khashuri Gas Pipeline Rehabilitation (700mm-40km)	14.6	
Navtlugi - Saguramo Gas Pipeline Construction (700mm-38km)	28.1	
Tabatskuri - Bakuriani Gas Pipeline Construction (300mm-18km)	7.7	
Total for GOGC		50.4
Total (mln USD)		115.5

#### VII. Monitoring and Evaluation.

The indicators agreed upon in Article IV, above, may be further developed in Implementation Letters to include additional descriptions, quantities, periodicity and appropriate sources or means for obtaining and measuring data. Targets established by Implementation Letters will be based on current trends at the time and the estimated impacts of USAID, Grantee and other donor interventions. Targets will be re-examined and adjusted, if necessary, as additional data becomes available.

USAID intends to use an independent third party architecture and engineering firm to support monitoring of the activities funded under this Agreement. Additionally, specific monitoring and evaluation plans, to include specific internal, joint or third-party evaluations, reports to be developed and evaluations schedules, shall be set forth in Implementation Letters.

USAID may take corrective action based on the results of the monitoring and evaluation of the activities and results framework data, or at the request of the Grantee. Corrective action may include, but is not limited to, discontinuing, reducing or otherwise modifying one or more ongoing activities, or adding new activities. Funds allotted to activities may be discontinued, reduced or shifted to existing activities or new activities in furtherance of the Objective.

#### VIII. Other Implementation Issues.

The Parties agree that with respect to the audit provisions set forth in Section B.5 of Annex 2 to this Agreement (Standard Provisions), to the extent USAID funds non-grantee implementing partners directly for any activities under this Agreement, USAID will include necessary audit provisions in its implementing agreements with such partners in lieu of the Grantee submitting the required audit plan as described in that section.

To the extent USAID funds activities under this Agreement through Grantee entities or Grantee-owned entities, including GOGC and GSE, detailed auditing plans shall be included in the implementing grants or contracts, and such auditing plans shall be consistent with the provisions of B.5 of the Standard Provisions Annex and include provisions on the methodology, funding and

timing of audits of host country contractors, host government owned organizations and other sub-recipients receiving funds directly from the Grantee.

**USAID FINANCIAL PLAN: ENERGY INFRASTRUCTURE EXPANSION ASSISTANCE AGREEMENT FOR FY  
2010-2013**

Objective and Activities	Cumulative Obligated Amount	Amount Remaining to be Obligated	Total Estimated Contribution
<b>Economic Growth Objective, Infrastructure Area, Modern Energy Services</b>			
<i>Electricity Transmission Upgrade, Reconstruction and Operation</i>	\$31,000,000	\$2,000,000	\$33,000,000
<i>Gas Transit Infrastructure Construction, Replacement and Rehabilitation</i>	\$81,000,000	\$1,000,000	\$82,000,000
<i>Hydro Investment Promotion</i>	\$8,000,000	\$1,555,000	\$9,555,000
<b>Total:</b>	\$120,000,000	\$4,555,000	\$124,555,000

**Annex 2**  
**Standard Provisions**  
Table of Contents

Article A: Definitions and Implementation Letters.

- Section A.1. Definitions.
- Section A.2. Implementation Letters.

Article B: General Covenants.

- Section B.1. Consultation.
- Section B.2. Execution of Agreement.
- Section B.3. Utilization of Goods and Services.
- Section B.4. Taxation.
- Section B.5. Reports and Information, Agreement Books and Records, Audits, and Inspections.
- Section B.6. Completeness of Information.
- Section B.7. Other Payments.
- Section B.8. Information and Marking.

Article C: Procurement Provisions.

- Section C.1. Source and Origin.
- Section C.2. Eligibility Date.
- Section C.3. Plans, Specifications and Contracts.
- Section C.4. Reasonable Price.
- Section C.5. Notification to Potential Suppliers.
- Section C.6. Transportation.
- Section C.7. Insurance.
- Section C.8. U.S. Government-Owned Excess Property.

Article D: Disbursements.

- Section D.1. Disbursement for Foreign Exchange Costs.
- Section D.2. Disbursement for Local Currency Costs.
- Section D.3. Other Forms of Disbursement.
- Section D.4. Rate of Exchange.

Article E: Termination; Remedies.

- Section E.1. Suspension and Termination.
- Section E.2. Refunds.
- Section E.3. Non-waiver of Remedies.
- Section E.4. Assignment.

Article F: Miscellaneous.

- Section F.1. Investment Promotion.
- Section F.2. Prohibition on Assistance to Drug Traffickers.
- Section F.3. Workers' Rights.
- Section F.4. Terrorist Financing.
- Section F.5. Prohibition on Funding Foreign Government Delegations to International Conferences.

## Standard Provisions

### Article A: Definitions and Implementation Letters.

Section A.1. Definitions. As used in this Annex, the "Agreement" refers to the Assistance Agreement to which this Annex is attached and of which this Annex forms a part. Terms used in this Annex have the same meaning or reference as in the Agreement.

Section A.2. Implementation Letters. To assist the Grantee in the implementation of the Agreement, USAID, from time to time, will issue implementation letters ("Implementation Letters") that will furnish additional information about matters stated in this Agreement. The Parties may also issue jointly agreed-upon Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Implementation Letters can also be issued to record revisions or exceptions which are permitted by the Agreement.

### Article B: General Covenants.

Section B.1. Consultation. The Parties will cooperate to assure that the Objective and Program Elements of this Agreement will be accomplished. To this end, the Parties, at the request of either, will exchange views on progress toward the Objective and Program Elements, the performance of obligations under this Agreement, the performance of any consultants, contractors, or suppliers engaged under the Agreement, and other matters relating to the Agreement.

Section B.2. Execution of Agreement. The Grantee will:

- (a) Carry out the Agreement and the activities required to be undertaken directly (or caused to be undertaken) by the Grantee, or cause the Agreement and such activities to be carried out with due diligence and efficiency, in conformity with sound technical, financial, and management practices, and in conformity with those documents, plans, specifications, contracts, schedules, or other arrangements, and with any modifications therein, approved by USAID pursuant to this Agreement; and
- (b) Provide qualified and experienced management for, and train such staff as may be appropriate for the maintenance and operation of activities financed under the Agreement, and, as applicable for continuing activities, cause those activities to be operated and maintained in such manner as to assure the continuing and successful achievement of the Objective and Program Elements under the Agreement.

Section B.3. Utilization of Goods and Services.

Any goods and services financed under this Agreement, unless otherwise agreed in writing by USAID, will be devoted to the Agreement until the completion or termination of the Agreement, and thereafter (as well as during any period of suspension of the Agreement) will be used to further the Objective of the Agreement or as USAID may direct in Implementation Letters.

Section B.4. Taxation.

(a) General Exemption. The Agreement and the assistance thereunder are free from any taxes imposed under laws in effect in the territory of the Grantee.

(b) Except as provided otherwise in this provision, subsection (a) applies to, but is not limited to (1) any activity, contract, grant or other implementing agreement financed by USAID under this Agreement; (2) any transaction or supplies, equipment, materials, property or other goods (hereinafter collectively "goods") under (1) above; (3) any contractor, grantee, or other organization carrying out activities financed by USAID under this Agreement; (4) any employee of such organizations; and (5) any individual contractor or grantee carrying out activities financed by USAID under this Agreement.

(c) Except as provided otherwise in this provision, subsection (a) applies to, but is not limited to, the following taxes:

(1) Exemption 1. Customs duties, tariffs, import taxes, or other levies on the importation, use and re-exportation of goods or the personal belongings and effects (including personally-owned automobiles) for the personal use of non-national individuals or their family members. Exemption 1 includes, but is not limited to, all charges based on the value of such imported goods, but does not include service charges directly related to services performed to transfer goods or cargo.

(2) Taxes on the income, profits or property of all (i) non-national organizations of any type, (ii) non-national employees of national and non-national organizations, or (iii) non-national individual contractors and grantees. This includes income and social security taxes of all types and all taxes on the property, personal or real, owned by such non-national organizations or persons. The term "national" refers to organizations established under the laws of the Grantee and citizens of the Grantee, other than permanent resident aliens in the United States.

(3) Taxes levied on the last transaction for the purchase of goods or services financed by USAID under this Agreement, including sales taxes, value-added taxes (VAT), or taxes on purchases or rentals of real or personal property. The term "last transaction" refers to the last transaction by which the goods or services were purchased for use in the activities financed by USAID under this Agreement.

(d) If a tax has been levied and paid contrary to the provisions of an exemption, USAID may, in its discretion, (1) require the Grantee to refund to USAID or to others as USAID may direct the amount of such tax with funds other than those provided under the Agreement, or (2) offset the amount of such tax from amounts to be disbursed under this or any other agreement between the Parties.

(e) In the event of a disagreement about the application of an exemption, the Parties agree to promptly meet and resolve such matters, guided by the principle that the assistance furnished by USAID is free from direct taxation, so that all of the assistance furnished by USAID will contribute directly to the economic development of the country of the Grantee.

Section B.5. Reports and Information, Agreement Books and Records, Audits, and Inspections.

- (a) Reports and Information. The Grantee shall furnish USAID accounting records and such other information and reports relating to the Agreement as USAID may reasonably request.
- (b) Grantee Agreement Books and Records. The Grantee shall maintain accounting books, records, documents and other evidence relating to the Agreement, adequate to show, without limitation, all costs incurred directly by the Grantee under the Agreement, the receipt and use of goods and services acquired by the Grantee under the Agreement, agreed-upon cost sharing requirements, the nature and extent of solicitations of prospective suppliers of goods and services acquired by the Grantee, the basis of award of contracts and orders made directly by the Grantee, and the overall progress of the Agreement toward completion ("Agreement books and records"). The Grantee shall maintain Agreement books and records in accordance with generally accepted accounting principles prevailing in the United States, or at the Grantee's option, with approval by USAID, other accounting principles, such as those (1) prescribed by the International Accounting Standards Committee (an affiliate of the International Federation of Accountants) or (2) prevailing in the country of the Grantee. Agreement books and records shall be maintained for at least three years after the date of last disbursement by USAID or for such longer period, if any, required to resolve any litigation, claims or audit findings. For the avoidance of doubt, this Section B.5(b) applies solely to Grant funds expended directly by the Grantee.
- (c) Grantee Audit. If \$300,000 or more of USAID funds are expended directly by the Grantee in its fiscal year under the Agreement, the Grantee shall have financial audits made of the expenditures in accordance with the following terms, except as the Parties may otherwise agree in writing:
- (1) With USAID approval, the Grantee shall use its Supreme Audit Institution or select an independent auditor in accordance with the "Guidelines for Financial Audits Contracted by Foreign Recipients" issued by the USAID Inspector General ("Guidelines"), which shall be performed in accordance with the "Guidelines"; and
  - (2) The audit shall determine whether the receipt and expenditure of the funds provided under the Agreement are presented in accordance with generally accepted accounting principles agreed to in subsection (b) above and whether the Grantee has complied with the terms of the Agreement. Each audit shall be completed no later than nine months after the close of the Grantee's year under audit.
- (d) Sub-recipient Audits. The Grantee, except as the Parties may otherwise agree in writing, shall submit to USAID, in form and substance satisfactory to USAID, a plan for the audit of the expenditures of "covered" sub-recipients, as defined below, that receive funds in connection with a direct contract or agreement entered into directly with the Grantee pursuant to the activities contemplated by this Agreement.
- (1) A "covered" sub-recipient is one who expends \$300,000 or more in its fiscal year in "USAID awards" (i.e., as sub-recipients under this Agreement and other USAID activities)

- (2) The plan shall describe the methodology to be used by the Grantee to satisfy its audit responsibilities for covered sub-recipients. The Grantee may satisfy such audit responsibilities by relying on independent audits of the sub-recipients; expanding the scope of the independent financial audit of the Grantee to encompass testing of sub-recipients' accounts; or a combination of these procedures.
  - (3) The plan shall identify the funds made available to covered sub-recipients that will be covered by audits conducted in accordance with other audit provisions that would satisfy the Grantee's audit responsibilities. (A nonprofit organization organized in the United States is required to arrange for its own audits. A for-profit contractor organized in the United States that has a direct contract with USAID is audited by the cognizant U.S. Government Agency. A private voluntary organization organized outside the United States with a direct grant from USAID is required to arrange for its own audits. A host-country contractor should be audited by the Grantee's auditing agency.)
  - (4) The Grantee shall ensure that covered sub-recipients under direct contracts or agreements with the Grantee take appropriate and timely corrective actions; consider whether sub-recipients' audits necessitate adjustment of its own records; and require each such sub-recipient to permit independent auditors to have access to records and financial statements as necessary.
- (e) **Audit Reports.** The Grantee shall furnish or cause to be furnished to USAID an audit report for each audit arranged for by the Grantee in accordance with this Section within 30 days after completion of the audit and no later than nine months after the end of the period under audit.
  - (f) **Other Covered Sub-recipients.** For "covered" sub-recipients who receive funds under the Agreement pursuant to direct contracts or agreements with USAID, USAID will include appropriate audit requirements in such contracts or agreements and will, on behalf of the Grantee, conduct the follow-up activities with regard to the audit reports furnished pursuant to such requirements.
  - (g) **Cost of Audits.** Subject to USAID approval in writing, costs of audits performed in accordance with the terms of this Section may be charged to the Agreement.
  - (h) **Audit by USAID.** USAID retains the right to perform the audits required under this Agreement on behalf of the Grantee by utilizing funds under the Agreement or other resources available to USAID for this purpose, conduct a financial review, or otherwise ensure accountability of organizations expending USAID funds regardless of the audit requirement.
  - (i) **Opportunity to Audit or Inspect.** The Grantee shall afford authorized representatives of USAID the opportunity at all reasonable times to audit or inspect activities financed under the Agreement, the utilization of goods and services financed by USAID, and books, records and other documents relating to the Agreement.
  - (j) **Sub-recipient Books and Records.** The Grantee will incorporate paragraphs (a), (b), (d), (e), (g), (h) and (i) of this provision into all sub-agreements with non-U.S. organizations which meet the \$300,000 threshold of paragraph (c) of this provision. Sub-agreements

with non-U.S. organizations, which do not meet the \$300,000 threshold, shall, at a minimum, incorporate paragraphs (h) and (i) of this provision. Sub-agreements with U.S. organizations shall state that the U.S. organization is subject to the audit requirements contained in OMB Circular A-133.

Section B.6. Completeness of Information. The Grantee confirms:

(a) that the facts and circumstances of which it has informed USAID, or caused USAID to be informed, in the course of reaching agreement with USAID on the Agreement, are accurate and complete, and include all facts and circumstances that might materially affect the Agreement and the discharge of responsibilities under this Agreement; and

(b) that it will inform USAID in timely fashion of any subsequent facts and circumstances that might materially affect, or that it is reasonable to believe might so affect, the Agreement or the discharge of responsibilities under this Agreement.

Section B.7. Other Payments. Grantee affirms that no payments have been or will be received by any official of the Grantee in connection with the procurement of goods or services financed under the Agreement, except fees, taxes, or similar payments legally established in the country of the Grantee.

Section B.8. Information and Marking. The Grantee will give appropriate publicity to the Agreement as a program to which the United States has contributed, identify Agreement activity sites, and mark goods financed by USAID, as described in Implementation Letters.

Article C: Procurement Provisions.

Section C.1. Source and Origin.

C.1. Source and Origin.

(a) Except as noted herein, or in a sub-agreement issued by USAID, Grant funds will be used to finance the cost of goods and services having their source and origin, and with respect to suppliers of goods and services, the nationality, in countries included in Geographic Code 000 and 110 (US, Georgia, and the Newly Independent States) as in effect at the time orders are placed or contracts entered into for such goods or services. Exceptions to this requirement include local procurement transactions in accordance with USAID policy or procurements made after obtaining source, origin, and nationality waivers from USAID in writing.

Additionally:

(1) Ocean transportation costs shall be financed under the Agreement only on vessels under flag registry of countries included in Code 935. Also see Section C.6 on use of U.S. flag vessels.

(2) The country of the Grantee is an eligible source for foreign exchange cost for marine insurance, if otherwise eligible under Section C.7(a).

(3) Any motor vehicles financed under the Agreement will be of United States manufacture, except as USAID may otherwise agree in writing.

(b) Local Currency Costs. Disbursements for Local Currency Costs will be used exclusively to finance the costs of goods and services required for the Agreement which meet the requirements of USAID's local procurement policy which will be provided in an Implementation Letter.

(c) The source and origin of ocean and air shipping will be deemed to be the ocean vessel's or aircraft's country of registry at the time of shipment.

(d) Provisions concerning restricted and ineligible goods and services may be provided in an Implementation Letter.

(e) Transportation by air of property or persons financed under this agreement will be on carriers holding United States certification, to the extent service by such carriers is available under the Fly America Act. This requirement may be further described by USAID in Implementation Letters.

Section C.2. Eligibility Date. No goods or services may be financed under the Agreement which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement, except as the Parties may otherwise agree in writing.

Section C.3. Plans, Specifications and Contracts. In order for there to be mutual agreement on the following matters, and except as the Parties may otherwise agree in writing:

(a) The Grantee will furnish to USAID upon preparation:

(1) any plans, specifications, procurement or construction schedules, contracts, or other documentation between the Grantee and third parties, relating to goods or services to be financed under the Agreement, including documentation relating to the prequalification and selection of contractors and to the solicitation of bids and proposals. Material modifications in such documentation will likewise be furnished USAID on preparation; and

(2) such documentation will also be furnished to USAID, upon preparation, relating to any goods or services, which, though not financed under the Agreement, are deemed by USAID to be of major importance to the Agreement. Aspects of the Agreement involving matters under this subsection (a)(2) will be identified in Implementation Letters.

(b) Documents related to the prequalification of contractors, and to the solicitation of bids or proposals for goods and services financed under the Agreement will be approved by USAID in writing prior to their issuance, and their terms will include United States standards and measurements;

(c) Contracts and contractors financed under the Agreement for engineering and other professional services, for construction services, and for such other services, equipment, or materials as may be specified in Implementation Letters, will be approved by USAID in writing prior to execution of the contract. Material modifications in such contracts will also be approved in writing by USAID prior to execution; and

(d) Consulting firms used by the Grantee for the Agreement but not financed under the Agreement, the scope of their services and such of their personnel assigned to activities financed under the Agreement as USAID may specify, and construction

If the Grantee (or government of the Grantee), by statute, decree, rule, regulation, or practice discriminates with respect to USAID-financed procurement against any marine insurance company authorized to do business in any State of the United States, then all goods shipped to the territory of the Grantee financed by USAID hereunder shall be insured against marine risks and such insurance shall be placed in the United States with a company or companies authorized to do marine insurance business in the United States.

- (b) Except as USAID may otherwise agree in writing, the Grantee will insure, or cause to be insured, goods financed under the Agreement imported for the Agreement against risks incident to their transit to the point of their use under the Agreement; such insurance will be issued on terms and conditions consistent with sound commercial practice and will insure the full value of the goods. Any indemnification received by the Grantee under such insurance will be used to replace or repair any material damage or any loss of the goods insured or will be used to reimburse the Grantee for the replacement or repair of such goods. Any such replacement will be of source and origin of countries listed in USAID Geographic Code 000/110 as in effect at the time of replacement and, except as the Parties may agree in writing, will be otherwise subject to the provisions of the Agreement.

Section C.8. U.S. Government-Owned Excess Property. The Grantee agrees that wherever practicable United States Government-owned excess personal property, in lieu of new items financed under the Agreement, should be utilized. Funds under the Agreement may be used to finance the costs of obtaining such property.

**Article D: Disbursements.**

Section D.1. In the event of cash disbursements to the GRANTEE, Disbursements may be made through such means as the Parties may agree to in writing.

Section D.2. Rate of Exchange. If funds provided under the Agreement are introduced into the Cooperating Country by USAID or any public or private agency for purposes of carrying out obligations of USAID hereunder, the Grantee will make such arrangements as may be necessary so that such funds may be converted into local currency at the highest lawful rate available to the National Bank of Georgia on the date of conversion.

**Article E: Termination; Remedies.**

Section E.1. Suspension and Termination.

- (a) Either Party may terminate this Agreement in its entirety by giving the other Party thirty (30) days written notice. USAID also may terminate this Agreement in part by giving the Grantee thirty (30) days written notice, and suspend this Agreement in whole or in part upon giving the Grantee written notice. In addition, USAID may terminate this Agreement in whole or in part, upon giving the Grantee written notice, if (i) the Grantee fails to comply with any provision of this Agreement, (ii) an event occurs that USAID determines makes it improbable that the Objective or Program Elements of the Agreement or the assistance program will be attained or that the Grantee will be able to perform its obligations under this Agreement, or (iii) any disbursement or use of funds in the manner herein contemplated would be in violation of the legislation governing USAID, whether now or hereafter in effect.

- (b) Except for payment which the Parties are committed to make pursuant to non-cancellable commitments entered into with third parties prior to such suspension or termination, suspension or termination of this entire Agreement or part thereof will suspend (for the period of the suspension) or terminate, as applicable, any obligation of the Parties to provide financial or other resources to the Agreement, or to the suspended or terminated portion of the Agreement, as applicable. Any portion of this Agreement which is not suspended or terminated shall remain in full force and effect.
- (c) In addition, upon such full or partial suspension or termination, USAID may, at USAID's expense, direct that title to goods financed under the Agreement, or under the applicable portion of the Agreement, be transferred to USAID if the goods are in a deliverable state.

Section E.2. Refunds.

- (a) In the case of any disbursement to the Grantee which is not supported by valid documentation in accordance with this Agreement, or which is not made or used in accordance with this Agreement, or which was for goods or services not used in accordance with this Agreement, USAID, notwithstanding the availability or exercise of any other remedies under this Agreement, may require the Grantee to refund the amount of such disbursement in U.S. Dollars to USAID within sixty (60) days after receipt of a request therefor.
- (b) If the failure of Grantee to comply with any of its obligations under this Agreement has the result that goods or services financed or supported under the Agreement are not used effectively in accordance with this Agreement, USAID may require the Grantee to refund all or any part of the amount of the disbursements under this Agreement for or in connection with such goods or services in U.S. Dollars to USAID within sixty (60) days after receipt of a request therefor.
- (c) The right under subsections (a) or (b) to require a refund of a disbursement will continue, notwithstanding any other provision of this Agreement, for three years from the date of the last disbursement under this Agreement.
- (d) (1) Any refunds under subsections (a) or (b), or (2) any refund to USAID from a contractor, supplier, bank or other third party with respect to goods or services financed under the Agreement, which refund relates to an unreasonable price for or erroneous invoicing of goods or services, or to goods that did not conform to specifications, or to services that were inadequate, will (A) be made available first for the Agreement, to the extent justified, and (B) the remainder, if any, will be applied to reduce the amount of the Grant.
- (e) Any interest or other earnings on funds disbursed by USAID to the Grantee under this Agreement prior to the authorized use of such funds for the Agreement will be returned to USAID in U.S. Dollars by the Grantee, unless USAID otherwise agrees in writing.

Section E.3. Non-waiver of Remedies. No delay in exercising any right or remedy accruing to a Party in connection with its financing under this Agreement will be construed as a waiver of such right or remedy.

Section E.4. Assignment. The Grantee agrees, upon request, to execute an assignment to USAID of any cause of action which may accrue to the Grantee in connection with or arising out of the contractual performance or breach of performance by a Party to a direct U.S. Dollar contract which USAID financed in whole or in part out of funds granted by USAID under this Agreement.

Article F: Miscellaneous.

Section F.1. Investment Promotion.

- (a) Except as specifically set forth in the Agreement or otherwise authorized by USAID in writing, no funds or other support provided hereunder may be used for any activity that involves investment promotion in a foreign country.
- (b) In the event the Grantee is requested or wishes to provide assistance in the above area or requires clarification from USAID as to whether the activity would be consistent with the limitation set forth above, the Grantee must notify USAID and provide a detailed description of the proposed activity. The Grantee must not proceed with the activity until advised by USAID that it may do so.
- (c) The Grantee must ensure that its employees and subcontractors and sub-recipients providing investment promotion services hereunder are made aware of the restrictions set forth in this clause and must include this clause in all subcontracts and other sub-agreements entered into hereunder.

Section F.3. Prohibition on Assistance to Drug Traffickers.

- (a) USAID reserves the right to terminate this Agreement or take other appropriate measures if the Grantee or a key individual of the Grantee is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking as defined in 22 CFR Part 140.
- (b) The Grantee agrees not to disburse, or sign documents committing the Grantee to disburse, funds to a sub-recipient designated by USAID ("Designated Sub-recipient") until advised by USAID that: (1) any United States Government review of the Designated Sub-recipient and its key individuals has been completed; (2) any related certifications have been obtained; and (3) the assistance to the Designated Sub-recipient has been approved.
  - (1) The Grantee shall insert the following clause, or its substance, in its agreement with the Designated Sub-recipient:
  - (2) The Grantee reserves the right to terminate this Agreement or take other appropriate measures if the Sub-recipient or a key individual of the Sub-recipient is found to have been convicted of a narcotic offense or to have been engaged in drug trafficking as defined in 22 CFR Part 140."

Section F.4. Workers' Rights.

- (a) Except as specifically set forth in the Agreement or otherwise authorized by USAID in writing, no funds or other support provided hereunder may be used for any activity that involves workers' rights in a foreign country.
- (b) In the event the Grantee is requested or wishes to provide assistance in the above area or requires clarification from USAID as to whether the activity would be consistent with the limitation set forth above, the Grantee must notify the USAID and provide a detailed description of the proposed activity. The Grantee must not proceed with the activity until advised by USAID that it may do so.
- (c) The Grantee must ensure that all employees and subcontractors and sub-recipients providing employment-related services hereunder are made aware of the restrictions set forth in this clause and must include this clause in all subcontracts and other sub-agreements entered into hereunder.

Section F.5 Terrorist Financing. The Grantee is reminded that U.S. Executive Orders and U.S. law prohibit transactions with, and the provision of resources and support to, individuals and organizations associated with terrorism and specially designated nationals and blocked persons identified by the U.S. Department of Treasury (Office of Foreign Assets Control). It is the legal responsibility of the Grantee under this Agreement to ensure compliance with these Executive Orders and laws. This provision must be included in all subcontracts or subawards issued under this Agreement.

Section F.6 Prohibition on Funding Foreign Government Delegations to International Conferences. Except as USAID may otherwise agree in writing, funds obligated under this Agreement which are provided by USAID from the Foreign Operations, Export Financing, and Related Programs Appropriations Act for any U.S. Government fiscal year after fiscal year 1999 may not be used to finance the travel, per diem, hotel expenses, meals, conference fees or other conference costs for any member of a foreign government's delegation to an international conference sponsored by a public international organization. This restriction may be further described by USAID in Implementation Letters.

AMENDMENT NUMBER ONE

TO

Assistance Agreement between the United States of America and Georgia for  
Energy Infrastructure Expansion

USAID Assistance Agreement No. AAG-114-G-10-00001

September 29, 2010

AMENDMENT NUMBER ONE to the Assistance Agreement between the United States of America, acting through the United States Agency for International Development ("USAID") and Georgia, acting through the Ministry of Finance of Georgia (hereinafter referred to as the "Grantee") for **Energy Infrastructure Expansion**, dated as of February 25, 2010.

WHEREAS, on February 25, 2010, the Grantee and USAID entered into the Assistance Agreement to accelerate the expansion of the energy infrastructure as described in Annex 1 (the "Amplified Description") to said Assistance Agreement (referred to herein as the "Agreement") and

WHEREAS, USAID and the Grantee desire to amend the Agreement in order to (a) increase the total amount obligated by USAID from \$120,000,000 to \$123,260,000; (b) increase the Government of Georgia contribution from \$39,600,000 to a total of \$41,086,666; (c) add the "Clean Energy Initiative" and the "Support Costs" to the Amplified Description and Financial Plan; and (d) increase the USAID Total Estimated Contribution by the amount of \$2,260,000 to provide for these two new activities.

NOW, THEREFORE, the Parties to the Agreement hereby agree that the Agreement shall be further amended as follows:

1. The first sentence of Section 3.1(a) of the Agreement entitled "USAID Contribution" is deleted in its entirety and the following is substituted therefore:

"(a) The Grant. To help achieve the Objective set forth in this Agreement, USAID, pursuant to the Foreign Assistance Act of 1961, as amended, hereby grants to the Grantee under the terms of the Agreement an amount not to exceed one hundred twenty three million two hundred sixty thousand United States ("U.S.") Dollars (\$123,260,000) (the "Grant")."
2. Section 3.2(b), line three, the dollar amount "\$39,600,000" is deleted and replaced with "\$41,086,666".
3. The following provisions shall be added after subsection (c) of Annex 1, Section V, entitled "Activities/Activity Selection":

"(d) Georgia Clean Energy Initiative (\$1.5 million). This activity will provide GoG with an effective framework for private sector solutions to the provision of clean, affordable energy to off-grid villages, thereby using renewable energy to close the rural electrification gap. Providing energy services to the 29 off-grid communities will promote a number of important development benefits, including improvements in rural economic growth combating disease (through refrigeration, lighting, sterilization, etc); education (through increased lighting, heating, computer and internet services, etc); agriculture (enabling irrigation, storage, processing, etc). The delivery of energy services and the associated prospects for improved economic growth will provide opportunities for micro entrepreneurs".

"(e) Program Support (\$760 thousand). This line item will fund administrative support and oversight of program(s) to be funded through this Assistance Agreement".

4. Section 3.1(b), line two, the dollar figure \$124,555,000 is deleted and replaced with "\$126,815,000".
5. Annex 1, Section VI(a), line one, the dollar figure \$124,555,000 is deleted and replaced with "\$126,815,000".
6. Annex 1, the table entitled "USAID FINANCIAL PLAN: ENERGY INFRASTRUCTURE EXPANSION ASSISTANCE AGREEMENT FOR FY 2010-2013" is deleted in its entirety and the following is substituted therefore:

Objective and Activities	Cumulative Obligated Amount	Contribution Outside Agreement*	Amount Remaining to be Obligated	Total Estimated Contribution
<b>Economic Growth Objective, Infrastructure Area, Modern Energy Services</b>				
Electricity Transmission Upgrade, Reconstruction and Operation	\$31,500,000	\$0	\$1,500,000	\$33,000,000
Gas Transit Infrastructure Construction, Replacement and Rehabilitation	\$81,500,000	\$0	\$500,000	\$82,000,000
Hydro Investment Promotion	\$8,000,000	\$1,510,000	\$45,000	\$9,555,000
Georgia Clean Energy Initiative	\$1,500,000	\$0	\$0	\$1,500,000
Program Support	\$760,000	\$0	\$0	\$760,000
<b>Total</b>	<b>\$123,260,000</b>	<b>\$1,510,000</b>	<b>\$2,045,000</b>	<b>\$126,815,000</b>

\*Although not obligated directly into the Agreement, these are USAID contributions to the Hydropower Investment Promotion program obligated directly into implementing agreements. Accordingly, though not counted towards obligated amount, these amounts are counted as part of USAID's Total Estimated Contribution in support of the Energy Infrastructure Expansion Assistance Agreement. These directly obligated contributions consist of:

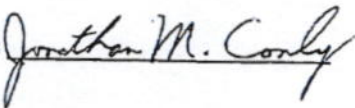
NARUC - \$175,000  
 Black Sea Initiative - \$225,000  
 SynEnergy - \$180,000  
 Hydro Investment Promotion - \$930,000  
 Total: \$1,510,000

7. Except as amended herein, all other terms and conditions of the Agreement remain unchanged and in full force and effect.

IN WITNESS HEREOF, the United States of America and Georgia, each acting through its duly authorized representative, have caused this Amendment Number One to be signed in their names and delivered as of the day, month and year first written above:

UNITED STATES OF AMERICA

GEORGIA

By: 

By: 

Name: Jonathan M. Conly

Name: Kakha Baindurashvili

Title: Mission Director  
USAID/Caucasus

Title: Minister of Finance of Georgia

**Amendment No. One to Assistance Agreement between the United States of America and Georgia for Energy Infrastructure Expansion, dated February 25, 2010**

AMENDMENT NUMBER TWO

TO

Assistance Agreement between Georgia and the United States of America for  
Energy Infrastructure Expansion

USAID Assistance Agreement No. AAG-114-G-10-00001

September 26, 2011

AMENDMENT NUMBER TWO to the Assistance Agreement between Georgia, acting through the Ministry of Finance of Georgia (hereinafter referred to as the "Grantee") and the United States of America, acting through the United States Agency for International Development ("USAID") for **Energy Infrastructure Expansion**, dated as of February 25, 2010.

WHEREAS, on February 25, 2010, the Grantee and USAID entered into the Assistance Agreement to accelerate the expansion of energy infrastructure as described in Annex 1 (the "Amplified Description") to said Assistance Agreement (referred to herein as the "Agreement"); and

WHEREAS, USAID and the Grantee desire to amend the Agreement in order to (a) increase the total amount obligated by USAID from \$123,260,000 to \$128,012,670; (b) increase the USAID Total Estimated Contribution by the amount of \$3,325,014 to \$130,140,014 to provide for additional Clean Energy Initiative contributions; (c) increase the Government of Georgia contribution from \$41,086,666 to a total of \$42,244,181.10; and (d) update the Financial Plan and Annex 1 to reflect these changes and add the "Engineering & Oversight".

NOW, THEREFORE, the Parties to the Agreement hereby agree that the Agreement shall be further amended as follows:

1. The first sentence of Section 3.1(a) of the Agreement entitled "USAID Contribution" is deleted in its entirety and the following is substituted therefore:

"(a) The Grant. To help achieve the Objective set forth in this Agreement, USAID, pursuant to the Foreign Assistance Act of 1961, as amended, hereby grants to the Grantee under the terms of the Agreement an amount not to exceed one-hundred twenty-eight million twelve thousand six-hundred and seventy United States ("U.S.") Dollars (\$128,012,670) (the "Grant")."

2. The first sentence of Section 3.1(b) of the Agreement, entitled "Total Estimated USAID Contribution", is deleted in its entirety and the following is substituted therefore:

"(b) Total Estimated USAID Contribution. USAID's total estimated contribution to achievement of the Objective will be one-hundred thirty million, one-hundred forty thousand and fourteen U.S. Dollars (\$130,140,014) which will be provided in increments."

3. Section 3.2(b), line three, the dollar amount "\$41,086,666" is deleted and replaced with "\$42,244,181.10".
4. Annex 1, Section V(d), "Georgia Clean Energy Initiative" the amount "\$1.5 million" is deleted and replaced with the amount "\$4,652,670".
5. The following provision is added in Annex 1, Section V, entitled "Activities/Activity Selection" after subsection (c):

"(f) Engineering and Oversight (supported by other activity budgets) USAID will provide resident professional engineering and technical services to oversee the gas and power infrastructure construction projects funded through the Grant. In addition, this assistance will serve to build the capacity of state-owned power and gas companies in the fields of engineering, construction, maintenance, environmental compliance and procurement."

6. Annex 1, Section VI(a), line one, the dollar amount "\$126,815,000" is deleted and replaced with "\$130,140,014".
7. Annex 1, the table entitled "USAID FINANCIAL PLAN: ENERGY INFRASTRUCTURE EXPANSION ASSISTANCE AGREEMENT FOR FY 2010-2013" is deleted in its entirety and the following is substituted therefore:

Objective and Activities	Cumulative Obligated Amount	Contribution Outside Agreement*	Amount Remaining to be Obligated	Total Estimated Contribution
<b>Economic Growth Objective, Infrastructure Area, Modern Energy Services</b>				
Electricity Transmission Upgrade, Reconstruction and Operation	\$28,000,000	\$0	\$0	\$28,000,000
Gas Transit Infrastructure Construction, Replacement and Rehabilitation	\$78,029,628	\$0	\$0	\$78,029,628
Hydro Investment Promotion	\$8,000,000	\$1,727,344	\$0	\$9,727,344
Georgia Clean Energy Initiative	\$4,652,670	\$0	\$0	\$4,652,670
Engineering & Oversight	\$8,570,372		\$400,000	\$8,970,372
Program Support	\$760,000	\$0	\$0	\$760,000
<b>Total</b>	\$128,012,670	\$1,727,344	\$400,000	\$130,140,014

\*Although not obligated directly into the Agreement, these are USAID contributions to the Hydropower Investment Promotion program obligated directly into implementing agreements. Accordingly, though not counted towards obligated amount, these amounts are counted as part of USAID's Total Estimated Contribution in support of the Energy Infrastructure Expansion Assistance Agreement. These directly obligated contributions consist of:

NARUC - \$175,000  
Black Sea Initiative - \$442,344  
SynEnergy - \$180,000  
Hydro Investment Promotion - \$930,000  
Total: \$1,727,344

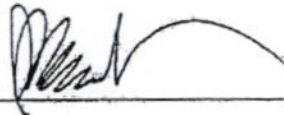
8. Except as amended herein, all other terms and conditions of the Agreement remain unchanged and in full force and effect.

IN WITNESS WHEREOF, Georgia and the United States of America, each acting through its duly authorized representative, have caused this Amendment Number Two to be signed in their names and delivered as of the day, month and year first written above:

GEORGIA

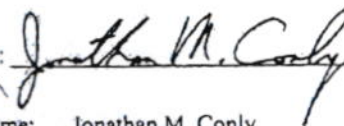
UNITED STATES OF AMERICA

By: \_\_\_\_\_



Name: Dimitri Gvindadze  
Title: Minister of Finance of Georgia

By: \_\_\_\_\_



Name: Jonathan M. Conly  
Title: Mission Director  
USAID/Caucasus

30. 09. 2010

Amendment No. Two to Assistance Agreement between Georgia and the United States of America for Energy Infrastructure Expansion, dated February 25, 2010

EXECUTION COPY

AMENDMENT NUMBER THREE

TO

Assistance Agreement between the United States of America and Georgia for  
Energy Infrastructure Expansion

USAID Assistance Agreement No. AAG-114-G-10-00001

September 28, 2012

AMENDMENT NUMBER THREE to the Assistance Agreement between the United States of America, acting through the United States Agency for International Development ("USAID") and Georgia, acting through the Ministry of Finance of Georgia (hereinafter referred to as the "Grantee") for **Energy Infrastructure Expansion**, dated as of February 25, 2010.

WHEREAS, on February 25, 2010, the Grantee and USAID entered into the Assistance Agreement to accelerate the expansion of energy infrastructure as described in Annex 1 (the "Amplified Description") to said Assistance Agreement (referred to herein as the "Agreement"); and

WHEREAS, USAID and the Grantee desire to amend the Agreement in order to (a) increase the total amount obligated by USAID from \$128,012,670 to \$128,412,670; (b) to update the financial plan accordingly; (c) to update the authorized Geographic Code to include all eligible countries; and (d) to extend the completion date to September 30, 2014.

NOW, THEREFORE, the Parties to the Agreement hereby agree that the Agreement shall be further amended as follows:

1. The first sentence of Section 3.1(a) of the Agreement entitled "USAID Contribution" is deleted in its entirety and the following is substituted therefore:

"(a) The Grant. To help achieve the Objective set forth in this Agreement, USAID, pursuant to the Foreign Assistance Act of 1961, as amended, hereby grants to the Grantee under the terms of the Agreement an amount not to exceed one-hundred twenty-eight million four hundred twelve thousand six-hundred and seventy United States ("U.S.") Dollars (\$128,412,670) (the "Grant")."

2. Article 4(a), the date "March 31, 2013" is deleted in its entirety and replaced with "September 30, 2014."

EXECUTION COPY

3. Annex 1, the table entitled "USAID FINANCIAL PLAN: ENERGY INFRASTRUCTURE EXPANSION ASSISTANCE AGREEMENT FOR FY 2010-2013" is deleted in its entirety and the following is substituted therefor:

Objective and Activities	Cumulative Obligated Amount	Contribution Outside Agreement*	Amount Remaining to be Obligated	Total Estimated Contribution
<b>Economic Growth Objective, Infrastructure Area, Modern Energy Services</b>				
Electricity Transmission Upgrade, Reconstruction and Operation	\$28,000,000	\$0	\$0	\$28,000,000
Gas Transit Infrastructure Construction, Replacement and Rehabilitation	\$78,029,628	\$0	\$0	\$78,029,628
Hydro Investment Promotion	\$8,000,000	\$1,727,344	\$0	\$9,727,344
Georgia Clean Energy Initiative	\$4,652,670	\$0	\$0	\$4,652,670
Engineering & Oversight	\$8,970,372		\$0	\$8,970,372
Program Support	\$760,000	\$0	\$0	\$760,000
<b>Total</b>	<b>\$128,412,670</b>	<b>\$1,727,344</b>	<b>\$0</b>	<b>\$130,140,014</b>

\*Although not obligated directly into the Agreement, these are USAID contributions to the Hydropower Investment Promotion program obligated directly into implementing agreements. Accordingly, though not counted towards obligated amount, these amounts are counted as part of USAID's Total Estimated Contribution in support of the Energy Infrastructure Expansion Assistance Agreement. These directly obligated contributions consist of:

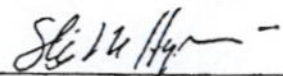
NARUC - \$175,000  
 Black Sea Initiative - \$442,344  
 SynEnergy - \$180,000  
 Hydro Investment Promotion - \$930,000  
 Total: \$1,727,344

4. Annex 2, Standard Provisions, Article C.1(a), the phrase "000 and 110 (US, Georgia, and the Newly Independent States)" is deleted in its entirety and replaced with "937".
5. Except as amended herein, all other terms and conditions of the Agreement remain unchanged and in full force and effect.

IN WITNESS WHEREOF, the United States of America and Georgia, each acting through its duly authorized representative, have caused this Amendment Number THREE to be signed in two copies in their names and delivered as of the day, month and year first written above:

UNITED STATES OF AMERICA

GEORGIA

By: 

By: 

Name: Stephen M. Haykin

Name: Alexander Khetaguri

Title: Mission Director  
USAID/Caucasus

Title: Minister of Finance of Georgia

**AMENDMENT NUMBER FOUR**

**TO**

**Assistance Agreement between the United States of America and Georgia for Energy Infrastructure Expansion**

**USAID Assistance Agreement No. AAG-114-G-10-00001**

**September 29, 2014**

AMENDMENT NUMBER FOUR to the Assistance Agreement between the United States of America, acting through the United States Agency for International Development ("USAID") and Georgia, acting through the Ministry of Finance of Georgia (hereinafter referred to as the "Grantee") for **Energy Infrastructure Expansion**, dated as of February 25, 2010 (referred to herein as the "Agreement").

WHEREAS, on February 25, 2010, the Grantee and USAID entered into the Agreement to accelerate the expansion of energy infrastructure as described in Annex 1 (the "Amplified Description") to the Agreement; and

WHEREAS, USAID and the Grantee desire to amend the Agreement in order to extend the completion date to September 30, 2015 to provide additional time to complete the Energy Infrastructure Expansion activity;

NOW, THEREFORE the Parties to the Agreement hereby agree that the Agreement shall be amended as follows:

In Article 4(a), the date "September 30, 2014" is deleted in its entirety and replaced with "September 30, 2015."

IN WITNESS HEREOF, the United States of America and Georgia, each acting through its duly authorized representative, have caused this Amendment Number FOUR to be signed in two copies in their names and delivered as of the day, month and year first written above:

UNITED STATES OF AMERICA

GEORGIA

By: Stephen M. Haykin

Name: Stephen M. Haykin  
Title: Mission Director  
USAID/Caucasus

By: Nodar Khaduri

Name: Nodar Khaduri  
Title: Minister of Finance of Georgia

September 30, 2014