November 20, 2013

H.E. Mr. Nodar Khaduri
Minister of Finance
Ministry of Finance
Tbilisi, Georgia

Re: Loan No. 7802-GE
Kakheti Regional Roads Improvement Project
Amendment to the Loan Agreement and Supplemental Letter No. 2

Dear Mr. Khaduri:

We refer to the Loan Agreement for the above-referenced Loan between Georgia (the Borrower) and the International Bank for Reconstruction and Development (the Bank) dated November 12, 2009 (the Loan Agreement). We also refer to the letter dated December 5, 2012 and February 26, 2013 as well as further discussions regarding the request to amend the Loan Agreement and the Supplemental Letter No. 2.

We are pleased to inform you that the Bank, after due consideration, has acceded to the above request. Accordingly, the Loan Agreement and Supplemental Letter No. 2 are hereby amended as follows:

A. Loan Agreement:

1. Part A of the Project set forth in Schedule 1 to the Loan Agreement, is hereby amended to read as follows:

"Part A: Improvement of the Road Linking Vaziani, Gombori and Telavi and the Road Linking Sasadilo to Sioni"

1. Improving the road linking Vaziani, Gombori and Telavi including: (1) rehabilitation and/or reconstruction of the pavement; (2) minor realignment of the existing road; (3) repairing the bridge over river Iori; (4) protection works to prevent and/or mitigate landslides; (5) construction of surface drainage, culverts and small bridges; (6) construction of retaining walls; (7) provision of safety barriers, road signs and markings; and (8) relocation of utilities, through the carrying out of works and the provision of goods and consultants’ services.

2. Rehabilitation of the road linking the village of Sasadilo to the village of Sioni, including the replacement of one bridge over river Iori and the rehabilitation of four other bridges through the carrying out of works and the provision of goods and consultants’ services."

2. Part B.2 of the Project set forth in Schedule 1 to the Loan Agreement, is hereby amended to read as follows:
2. Institutional Strengthening including: (a) conducting a workshop on capacity building in design-Build contracting modality for the RD and local construction industry; and (b) the preparation of a feasibility study and the carrying out of an EIA for Bakhurtsikhe-Gurjani by-pass to re-direct heavy traffic from the densely populated Bakhurtsikhe village to improve road safety maintenance through the provision of consultants' services and training."

3. Section I.C (Safeguards) of Schedule 2 to the Loan Agreement, is hereby amended to read as follows:

   "C. Safeguards

1. The Borrower shall ensure that the Project is carried out in accordance with the provisions of the EIA, EMPs, RPF and RAPs. The Borrower shall not assign, amend, abrogate or waive the EIA, EMPs, RPF and/or RAPs or any provision thereof, without the prior approval of the Bank.

2. The Borrower shall, prior to the commencement of works on the section covering the first 27 km of the Vaziani, Gombori and Telavi road under Part A.1 of the Project, ensure that: (a) the provisions of the respective EMP for this section of the road are adequately included in the proposed contract(s) for said works; and (b) the owners and users of the land where said works are to be implemented are fully compensated in accordance with the provisions of the RAP for this section.

3. The Borrower shall, prior to initiating the bidding process for the works pertaining to the remaining 38 kilometers of the Vaziani, Gombori and Telavi road under Part A.1 of the Project: (a) in accordance with the EIA and the RPF respectively, prepare and submit to the Bank an EMP and RAP satisfactory to the Bank for this second section of the Vaziani, Gombori and Telavi road; (b) ensure, through RD that: (i) the provisions of such EMP are adequately included in the proposed contract(s) for said works; and (ii) the owners and users of the land where said works are to be implemented are fully compensated in accordance with the provisions of such RAP for this second section.

4. The Borrower shall, prior to the commencement of works on the road linking the village of Sasadilo to the village of Sioni under Part A.2 of the Project: (a) prepare and submit to the Bank a supplemental EIA report and an EMP satisfactory to the Bank for this road; (b) in accordance with the RPF, prepare and submit to the Bank a RAP satisfactory to the Bank for this road; (c) ensure, through RD that: (i) the provisions of such EMP are adequately included in the proposed contract(s) for said works; and (ii) the owners and users of the land where said works are to be implemented are fully compensated in accordance with the provisions of the RAP for this section."

4. Section IV.B.2 of Schedule 2 to the Loan Agreement, is hereby amended to read as follows:

   "2. The Closing Date is August 30, 2015."

5. All other terms and conditions of the Loan Agreement shall remain unchanged and in full force and effect.
B. **Supplemental Letter No. 2: Performance Monitoring Indicators:**

With reference to the provisions of Section II.A of Schedule 2 to the Loan Agreement, the performance monitoring indicators shall be amended as set out in the modified Supplemental Letter No. 2, attached to this amendment letter (Annex 1).

Please confirm your agreement with the foregoing, on behalf of the Borrower, by signing, dating, and returning to us the enclosed copy of this Amendment Letter and the Supplemental Letter No. 2. Upon receipt by the Bank of the copy of this Amendment Letter and the Supplemental Letter No. 2 respectively countersigned and signed by you this Amendment Letter and the Supplemental Letter No. 2 will become effective as of the date of your countersignature and signature thereof.

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By: Henry G. Kerali
Regional Director
South Caucasus Country Department
Europe and Central Asia Region

AGREED AND CONFIRMED:

GEORGIA

By: Authorized Representative

Name: Nodar Khaduri
Title: Minister of Finance of Georgia
Date: December 13, 2013