Loan Agreement

(Second Regional and Municipal Infrastructure Development Project)

between

GEORGIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated August 18, 2014
LOAN NUMBER 8380-GE

LOAN AGREEMENT

Agreement dated August 18, 2014, between GEORGIA ("Borrower") and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of thirty million United States Dollars (US$30,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.

2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

2.05. The Payment Dates are May 15 and November 15 in each year.
2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article V of the General Conditions and the Project Agreement.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall
ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Event of Suspension consists namely of the following, that the Project Implementing Entity’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.

4.02. The Additional Event of Acceleration consists namely of the following, that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of ninety (90) days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following, namely that, the Subsidiary Agreement has been executed by the Ministry of Finance and the Ministry for Regional Development and Infrastructure on behalf of the Borrower and the Project Implementing Entity.

5.02. The Additional Legal Matter consists of namely of the following, that the Subsidiary Agreement has been duly authorized or ratified by the Borrower and the Project Implementing Entity and is legally binding upon the Borrower and the Project Implementing Entity in accordance with its terms.

5.03. The Effectiveness Deadline is the date one hundred and twenty (120) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower’s Representative is the Minister of Finance.

6.02. The Borrower’s Address is:

  Ministry of Finance
  16 Gorgasali Street
  0114 Tbilisi
  Georgia

  Facsimile:

  995-32-2261461
6.03. The Bank's Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address: INTBAFRAD
Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391

AGREED at Tbilisi, Georgia, as of the day and year first above written.

GEORGIA

By

Authorized Representative
Name: Nodar Khaduri
Title: Minister of Finance

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative
Name: Henry Keruli
Title: Regional Director
SCHEDULE 1

Project Description

The objective of the Project is to improve the efficiency and reliability of targeted municipal services and infrastructure.

The Project consists of the following parts:

Part A: Infrastructure Investment

1. Provision of financing:

   (a) on a credit basis, to selected LSGs to finance Investment Subprojects for the rehabilitation and expansion of priority municipal services and infrastructure needs on a sustainable basis; through the carrying out of works and provision of goods; and

   (b) on a grant basis, to selected LSGs to finance Investment Subprojects for selected municipal services and infrastructure projects, through the carrying out of works and provision of goods.

2. Preparation of feasibility studies, engineering designs, construction supervision, monitoring and evaluation activities for Investment Subprojects, through the provision of consultants’ services and Training.

Part B: Institutional Development

1. Improving the institutional capacity and performance of LSGs in: (a) asset management planning; (b) project cycle management; and (c) fiscal discipline and accounting, through the provision of goods, consultants’ services and Training.

2. Improving the institutional capacity and performance of the Project Implementing Entity in: (a) technical appraisal; (b) credit risk management; and (c) fiduciary functions, through the provision of consultants’ services and Training.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall cause the Project Implementing Entity to carry out the Project in accordance with the Operations Manual acceptable to the Bank, said manual to provide key instruments for the execution and coordination of the Project, including: (a) procurement and financial management procedures; (b) eligibility criteria for Participating LSGs and Investment Subprojects; (c) terms and conditions for Investment Subproject Financing; (d) procurement and implementation of Investment Subprojects; (e) the requirements and procedures for carrying out the Environmental Screening and Environmental Impact Assessments and for implementing such Environmental Management Plans for the selected Investment Subprojects; and (f) the staffing, management and responsibilities of the Project Implementing Entity.

2. For the purpose of ensuring the proper coordination and execution of the Project, the Borrower shall maintain the supervisory board of the Project Implementing Entity, chaired by the Prime Minister of Georgia. The functions of said Board shall include, inter alia: (a) overall supervision of the implementation of the Project; (b) inter-agency coordination to achieve the Project objectives; and (c) review and approval of the annual work programs' budgets and reports for the operation of the Project Implementing Entity.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Borrower shall make the proceeds of the Loan available to the Project Implementing Entity, on a non-refundable basis, under a subsidiary agreement between the Ministry of Finance and the Ministry for Regional Development and Infrastructure on behalf of the Borrower and the Project Implementing Entity, under terms and conditions approved by the Bank ("Subsidiary Agreement").

2. The Borrower shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.
C. Anti-Corruption

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

D. Safeguards

1. The Borrower shall ensure that all measures necessary for the carrying out of an Environmental Screening, as defined in the Operations Manual, shall be taken by the Project Implementing Entity in a timely manner for all Investment Subprojects, and shall cause the Project Implementing Entity to include adequate information on the carrying out of such measures as part of the reporting requirements outlined in the Operations Manual. The Borrower shall ensure that the Project Implementing Entity shall carry out the Environmental and Social Impact Assessments and develop the Environmental Management Plans in a timely manner for all Investment Subprojects requiring such assessments and/or planning and shall provide and maintain adequate information on the carrying out of such Environmental and Social Impact Assessments and implementing such Environmental Management Plans as part of the supervision responsibilities referred to in paragraph A.1 of this Section. For Investment Subprojects determined to be eligible for financing under the Project, completion of Environmental and Social Screening and preparation and disclosure of, and stakeholder consultation on the Environmental Management Plan satisfactory to the Bank shall be required prior to commencement of any works.

2. The Borrower shall ensure that for any activity to be undertaken under the Project involving the involuntary acquisition of land or the temporary or permanent involuntary resettlement or displacement of the occupants or owners of such land, a Resettlement Action Plan satisfactory to the Bank shall be prepared, completed and fully implemented by the Project Implementing Entity in accordance with the Resettlement Policy Framework prior to the commencement of any works.

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

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

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

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. The Borrower shall cause the Project Implementing Entity to prepare and furnish to the Bank not later than forty-five (45) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.

3. The Borrower shall cause the Project Implementing Entity to have the Project Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants' Services. All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.
B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan:

<table>
<thead>
<tr>
<th><strong>Procurement Method</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding, subject to the additional provisions set forth in below:</td>
</tr>
<tr>
<td>(i) “Open competitive procedures” (i.e. “public tender”) shall be the default rule. A single envelope procedure shall be used for the submission of goods, works, or non-consulting services.</td>
</tr>
<tr>
<td>(ii) Invitations to bid shall be advertised in at least one widely circulated national daily newspaper allowing a minimum of thirty (30) days for the preparation and submission of bids. Advertisements published in foreign language newspapers shall be in compliance with such a 30-day-minimum in number of days for bids preparation and submission.</td>
</tr>
<tr>
<td>(iii) Bidding shall not be restricted to pre-registered firms. If registration is required, it shall not be denied to eligible bidders for reasons unrelated to their capacity and resources to successfully perform the contract (e.g., mandatory membership in professional organizations, classification, etc). Post-qualification shall be conducted to verify that the bidder has the capability and resources to successfully perform the contract.</td>
</tr>
<tr>
<td>(iv) Government-owned enterprises in Georgia shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the Government. Government-owned enterprises will be subject to the same bid and performance security requirements as other bidders.</td>
</tr>
<tr>
<td>(v) Procuring entities shall use the appropriate Bank’s sample bidding documents, including pre-qualification documents, for the procurement of goods, works, or non-consulting services,</td>
</tr>
</tbody>
</table>
C. Particular Methods of Procurement of Consultants' Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. Other Methods of Procurement of Consultants' Services. The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan:
### Procurement Method

<table>
<thead>
<tr>
<th>(a)</th>
<th>Quality-Based Selection</th>
</tr>
</thead>
<tbody>
<tr>
<td>(b)</td>
<td>Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(c)</td>
<td>Least Cost Selection</td>
</tr>
<tr>
<td>(d)</td>
<td>Selection Based on Consultants' Qualifications</td>
</tr>
<tr>
<td>(e)</td>
<td>Single-Source Selection of consulting firms</td>
</tr>
<tr>
<td>(f)</td>
<td>Procedures set forth in paragraphs 5.1-5.5 of the Consultant Guidelines for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(g)</td>
<td>Single-source procedures for the Selection of Individual Consultants</td>
</tr>
</tbody>
</table>

### D. Review by the Bank of Procurement Decisions

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

### Section IV. Withdrawal of Loan Proceeds

#### A. General

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

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods and works, under:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Part A.1(a) of the Project</td>
<td>12,925,000</td>
<td>40%</td>
</tr>
<tr>
<td>(b) Part A.1(b) of the Project</td>
<td>13,000,000</td>
<td>85%</td>
</tr>
<tr>
<td>(2) Consultants' services, Training and Incremental Operating Costs under Part A.2 of the Project</td>
<td>2,000,000</td>
<td>80%</td>
</tr>
<tr>
<td>(3) Goods, consultants' services and Training under Part B of the Project</td>
<td>2,000,000</td>
<td>22.8%</td>
</tr>
<tr>
<td>(4) Front-end Fee</td>
<td>75,000</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>(5) Interest Rate Cap or Interest Rate Collar premium</td>
<td>0</td>
<td>Amount due pursuant to Section 2.07(c) of this Agreement</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>30,000,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $3,000,000 equivalent may be made for payments made prior to this date but on or after April 1, 2014, for Eligible Expenditures under Categories (1) and (2).

2. The Closing Date is June 30, 2019.
SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share"). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 15 and November 15</td>
<td></td>
</tr>
<tr>
<td>Beginning November 15, 2024 through November 15, 2038</td>
<td>3.33%</td>
</tr>
<tr>
<td>On May 15, 2039</td>
<td>3.43%</td>
</tr>
</tbody>
</table>

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

(b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.
3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

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

5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.
APPENDIX

Definitions


2. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


4. "Co-financing" means, for purposes of paragraph 16 of the Appendix to the General Conditions, an amount of five million United States Dollars to be provided by the Co-financier to assist in financing the Project.

5. "Co-financing Agreement" means the agreement to be entered into between the Borrower and the Co-financier providing for the Co-financing.


7. "Environmental and Social Screening" means a mandatory review of all proposed Investment Subprojects undertaken with the purpose of categorizing them by expected environmental risks and impacts, filtering out proposals grossly detrimental to the environment, identifying a need for preparing a Resettlement Action Plan and determining appropriate extent and type of Environmental and Social Assessment to be applied to the Investment Subprojects accepted for further processing.

8. "Environmental and Social Impact Assessment" or "ESIA" means a study carried out for the selected Investment Subprojects to identify and assess their potential environmental impacts, evaluate alternatives, and design appropriate mitigation, management, and monitoring measures.

9. "Environmental Management Plan" or "EMP" means a document developed for an Investment Subproject (as hereinafter defined), which details the measures to be taken during its implementation and operation to eliminate or offset adverse environmental impacts, or to reduce them to acceptable levels, as well as the actions needed to implement these measures.
10. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated March 12, 2012, with the modifications set forth in Section II of this Appendix.

11. "Incremental Operating Costs" means reasonable and necessary incremental expenses incurred by the Project Implementing Entity with respect to Project implementation, management and monitoring, including the costs of support staff salaries (excluding salaries of the Borrower’s civil service staff), communication, editing, printing and publication, translation, vehicle operation and maintenance, bank charges, local travel costs and field trip expenses, office rentals, utilities and supplies, based on a semi-annual budget agreed with the Bank.

12. "Investment Financing Agreement" means an agreement entered into between a Participating LSG and the Project Implementing Entity for the purposes of the Project, in accordance with the provisions of the Operations Manual.

13. "Investment Subproject" means an eligible subproject to be carried out for the benefit of a Participating LSG (as hereinafter defined), utilizing the proceeds of Investment Subproject Financing (as hereinafter defined).

14. "Investment Subproject Financing" means a financing made or proposed to be made out of the proceeds of the Loan by the Project Implementing Entity (as hereinafter defined), for an Investment Subproject.

15. "Lari" means the lawful currency of the Borrower.


17. "Ministry of Regional Development and Infrastructure" means the Borrower’s Ministry of Regional Development and Infrastructure or any successor thereto.

18. "Operations Manual" means the manual prepared by the Project Implementing Entity (as hereinafter defined) dated March 31, 2014: (a) specifying the managerial, financial, administrative, engineering, environmental and social policies and procedures of the Project Implementing Entity (as hereinafter defined) for the execution of the Project and the eligibility criteria for selection of Investment Subproject(s) and Participating LSG(s) (as hereinafter defined); and (b) including the "Environmental and Social Management Framework" which provides the requirements and procedures for the carrying out of the Environmental and Social Screening, and Environmental and Social Impact Assessments and the preparation of the Environmental Management Plans for the respective selected Investment Subproject under the Project, as such Operations Manual may be amended from time to time with the agreement of the Bank.
19. "Participating LSG" mean the Local Self-Government established and operating under Organic Law (Local Self-Government Code) No. 1958-II-b of February 5, 2014, on Local Self-Government, which have been selected for the carrying out of Investment Subproject(s) under Part A of the Project in accordance with the eligibility criteria set forth in the Operations Manual.


21. "Procurement Plan" means the Project Implementing Entity’s procurement plan for the Project, dated March 19, 2014 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

22. “Project Implementing Entity” means the Municipal Development Fund established pursuant to Presidential Decree No. 294 of the President of Georgia, dated June 7, 1997, as amended to date.


24. “Resettlement Action Plan” or “RAP” means a resettlement action plan for a site specific resettlement; to be prepared and implemented in a manner fully consistent with the Resettlement Policy Framework, and “Resettlement Action Plans” means said Plans, collectively.

25. “Resettlement Policy Framework” means the resettlement policy framework, satisfactory to the Bank, dated March 24, 2014, prepared by the Project Implementing Entity and setting forth, inter alia: (i) the description of areas covered by the Project; (ii) the legal basis and screening process for land acquisition, resettlement and land use in connection with works and construction activities to be carried out under the Project; (iii) the resettlement principles and entitlements of Project affected people based on different categories of impact; (iv) the procedures for valuation, compensation and other assistance provided to the affected people, including the grievance process; and (v) the responsibilities, procedures and requirements for the development and implementation of site specific Resettlement Action Plans.

26. “Subsidiary Agreement” means the agreement referred to in Section 1B of Schedule 2 to this Agreement pursuant to which the Borrower shall make the proceeds of the Loan available to the Project Implementing Entity.
27. "Training" means expenditures incurred by the Project Implementing Entity in connection with carrying out training activities under Part B of the Project, including travel costs and *per diem* for local trainees, study tours, workshops, conferences, and non-degree fellowships, rental of facilities and equipment and training materials and related supplies based on a semi-annual budget agreed with the Bank.