June 18, 2013

Mr. Nodar Khaduri
Minister of Finance
Ministry of Finance
16 Gorgasali Street,
Tbilisi, Georgia

Re: GECRGIA: IDF Grant No. TF014363
Cap city Building for Georgia’s National Examination Center

Dear Minister:

In response to the request for financial assistance made on behalf of Georgia (“Recipient”), I am pleased to inform you that the International Bank for Reconstruction and Development (“World Bank”) proposes to extend to the Recipient a grant from the World Bank’s Institutional Development Fund (“IDF”) in an amount not to exceed three hundred fifteen thousand United States Dollars (US$315,500) (“Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in the financing of the project described in the Annex (“Project”).

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and return it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned
copy of this Agreement within ninety (90) days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By  

Henry G. Kerali
Region 1 Director for South Caucasus
Europe and Central Asia Region

AGREED:

GEORGIA

By  

Authorized Representative

Name  Nodari Skaduri

Title  Minister of Finance

Date:  July 10, 2013

Enclosures:


(2)  Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
Article I
Standard Conditions; Definitions


102. Definitions. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement; and the following additional terms shall have the following meanings:

(a) "MES" means the Member Country’s Ministry of Education and Science or any successor thereto.

(b) "NAEC" means the Recipient’s National Assessment and Examination Center established by the Recipient’s MES is a public legal entity.

(c) "SABER" means Systems Approach for Better Education Results, an initiative of the World Bank that helps countries systematically examine and strengthen the performance of their education systems to achieve learning for all through the development of diagnostic tools that benchmark education policies according to evidence-based global standards and best practice.

Article II
Project Execution

201. Project Objectives and Description. The objective of the Project is to strengthen the effectiveness of the Recipient’s education system through: (a) building capacity in the areas of teacher and school principal evaluation; and (b) improving access to information on the existing teacher policies. The Project consists of the following parts:

Part 1: Strengthening the Institutional and Technical Capacity of NAEC

(a) Developing new teacher assessment methods with a focus on evaluating the classroom practice and modifying and improving existing teacher’s certification procedures through the provision of consultants’ services, workshops and a study tour.

(b) Designing a new reliable and objective system for the selection and evaluation of school principals based on the existing school principals standards.
Part 2: Implementation of SABER Teachers

Supporting the implementation of SABER through: (a) the identification of key local stakeholders with expert knowledge on teacher policies; and (b) the carrying out of interviews with the said stakeholders using the World Bank produced data collection instrument.

Part 3: Fiduciary Support to the Proposed Grant Implementation

Carrying out an audit of the Project.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall, through NAEC, under the leadership of MES, carry out the Project in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. **Institutional and Other Arrangements.** (a) For the purposes of carrying out the Project, the Recipient, through MES, shall (i) be responsible for overall Project coordination and supervision; and (ii) ensure that NAEC: (A) maintains, throughout Project implementation, professional staff in adequate numbers and with terms of reference, qualifications and functions acceptable to the World Bank; and (B) carries out the fiduciary functions of the Project including, inter alia, the financial management, procurement, planning and budgeting and financial reporting functions of the Project.

(b) Without limitation to the provisions of Section 2.01 (b) of the Standard Conditions, the Recipient shall provide in-kind contribution consisting of office facilities, staff time, trainee staff time and administrative support to facilitate the implementation of the Project.

2.04. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall monitor and evaluate the progress of the Project and, upon the World Bank’s request, prepare Project Reports, in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover such period as shall be indicated in the World Bank’s request and shall be furnished to the World Bank not later than one month after the date of such request.

(b) The Recipient shall, upon the World Bank’s request, prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than five months after the Closing Date.

2.05. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty five (45) days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.
The Recipient shall have the Project Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of eighteen (18) months of the Recipient. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of such period.

2.06. **Procurement**

(a) **General.** All goods and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:


(ii) Sections I and IV of the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("Consultant Guidelines") in the case of consultants' services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines ("Procurement Plan").

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Section: II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods**

Goods and non-consulting services shall be procured under contracts awarded on the basis of: (A) Shopping; and (B) Direct Contracting use of which should be prior approved by the World Bank, subject to justification as per Procurement Guidelines paragraphs 3.7 (a)-(f), 3.8.

(d) **Particular Methods of Procurement of Consultants' Services**

(i) Except as otherwise provided in item (ii) below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based selection.

(ii) The following methods may be used for the procurement of consultants' services for those assignments which are specified in the Procurement
Plan: (A) Selection under a Fixed Budget; (B) Least Cost Selection; (C) Selection based on Consultants’ Qualifications; (D) Single-source Selection of consulting firms; (E) Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank. All ToRs, disregarding prior/post review status of respective assignment, will be reviewed by the World Bank.

Article III
Withdrawal of Grant Proceeds

3.01. Eligible Expenditures. (a) The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of (i) Article III of the Standard Conditions; (ii) this Section; and (ii) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant 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 Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods</td>
<td>1000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants’ Services including audit</td>
<td>245,900</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training and Workshops</td>
<td>68,600</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>315,500</td>
<td></td>
</tr>
</tbody>
</table>

(b) For the purposes of this Section, the term “Training and Workshops” means reasonable expenditures (other than those for consultants’ services) incurred by the Recipient in connection with the carrying out of training and workshops activities, including local travel costs and per diem of workshop facilitators and participants; one study tour, rental of training facilities, preparation, acquisition, reproduction and distribution of training and workshop materials.

3.02. Withdrawal Conditions. Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is three years after the date of countersignature of this Agreement by the Recipient.
Article IV
Recipient’s Representative; Addresses

4.01. *Recipient’s Representative.* The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Finance of Georgia.

4.02. *Recipient’s Address* The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance
16 Gorgasali Street,
Tbilisi, Georgia

Facsimile:
995 32 228 1216

4.03. *World Bank’s Address* The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable: INTBAFRAD
Tek x: 248123 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391